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\*Admitted *Pro Hac Vice*

*Attorneys for the Chapter 11  
Debtors and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON**

In re:

EASTERDAY RANCHES, INC., *et al.*  
  
Debtors.<sup>1</sup>

Chapter 11

Lead Case No. 21-00141  
Jointly Administered

**DECLARATION OF CLINT W.  
BUMGUARDNER, INDEPENDENT  
APPRAISER, REGARDING  
VALUE OF FARMS STORAGE  
FACILITY IN SUPPORT OF  
DEBTORS' CASH COLLATERAL  
MOTIONS**

<sup>1</sup> The Debtors along with their case numbers are as follows: Easterday Ranches, Inc. (21-00141) and Easterday Farms, a Washington general partnership (21-00176).

DECLARATION OF CLINT W. BUMGUARDNER,  
INDEPENDENT APPRAISER, REGARDING VALUE OF  
FARMS STORAGE FACILITY— Page 1

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1 I, Clint W. Bumguardner, declare under penalty of perjury that the following is  
2 true and correct to the best of my knowledge, information, and belief:

3 1. I have been retained by the above-captioned debtors and debtors in  
4 possession (together, the “Debtors”) as an independent appraiser to value the property  
5 commonly referred to as the “Farms Storage Facility,” as described further below. I am  
6 above 18 years of age and I am competent to testify. If I were called upon to testify, I  
7 could and would testify competently to the facts and expert conclusions set forth herein  
8 on that basis.

9 **Expert Qualifications**

10 2. I am a Certified General Real Estate Appraiser (#1102340) in Washington  
11 State, a member of the Appraisal Institute (MAI) (#10161), and an Accredited Senior  
12 Appraiser (ASA), American Society of Senior Appraisers. I am also a certified  
13 appraiser in a number of other states, including Texas, Colorado, Arizona, and Utah,  
14 among others. I graduated from Texas A&M University in 1987 with a Bachelor of  
15 Science degree and then obtained a Master of Agriculture, Land Economics and Real  
16 Estate degree from the same university in 1988. Following graduation, I worked as a  
17 staff appraiser at J.R. Kimball, Inc. in Fort Worth, Texas from 1989 to 1992. In 1992,  
18 I started my current firm, W.T. Appraisal, Inc., where I am currently a principal. I  
19 regularly perform appraisals of agricultural industry properties, including feed yards,  
20 feed mills, processing facilities, dairies, barns, and storage warehouses. I have been  
21 qualified to testify as an expert witness on the valuation of agricultural properties on  
22 numerous prior occasions in state and federal court, including bankruptcy court.

23 3. Based on the foregoing, I believe that I am well qualified as an appraisal  
24 expert to opine on the value of the Farms Storage Facility.

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DECLARATION OF CLINT W. BUMGUARDNER,  
INDEPENDENT APPRAISER, REGARDING VALUE OF  
FARMS STORAGE FACILITY – Page 2

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1           9.     The income approach is predicated on the assumption that there is a  
2 definite relationship between the amount of income a property is capable of producing  
3 and its value. This approach is based on the principle that value is created by the  
4 expectation of benefits derived in the future. The anticipated annual net income of the  
5 property is processed to produce an indicated value. Net income is the income  
6 generated before payment of debt service. The process of converting the net income  
7 into value is called capitalization, which involves dividing the net income of the  
8 property by a capitalization rate. The appropriateness of this rate is critical, and there  
9 are a number of techniques by which it may be developed or used to support the  
10 conclusion of value. As set forth in my appraisal report, I believe that the capitalization  
11 rate that I adopted is reasonable and appropriate under the circumstances and consistent  
12 with generally accepted valuation practices.

13           10.    The sales comparison approach is most useful when a number of similar  
14 properties have been sold or are currently offered for sale in the subject property market.  
15 Using this approach, an appraiser produces a value indication by comparing a subject  
16 property with similar sales and/or listings. The sale prices of the properties that are  
17 judged most similar tend to indicate a range in which the value for the subject property  
18 will fall. Measuring the differences between the sales and the subject property can be  
19 accomplished directly when the market evidence is sufficient, or through bracketing  
20 when there is a lower degree of correlation or similarity. Direct measurement is  
21 preferred; however, markets in different areas do not always provide sufficient data.  
22 Typically, dollar or percentage adjustments are made to the sale price of each property  
23 being compared to the subject, with consideration for the real property interest involved.  
24 Through this comparative procedure, the appraiser estimates one or more kinds of value  
25 as of a specific date. As set forth in my appraisal report, I believe that there is adequate  
26 comparable sales data available for me to assess the value of the Farms Storage Facility.

DECLARATION OF CLINT W. BUMGUARDNER,  
INDEPENDENT APPRAISER, REGARDING VALUE OF  
FARMS STORAGE FACILITY – Page 4

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1           11. Reconciling the outcome of the cost, income, and sales comparison  
2 approaches, it is my expert opinion that the fair market value of the Farms Storage  
3 Facility is **\$15,100,000.00** as of March 16, 2021.

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DECLARATION OF CLINT W. BUMGUARDNER,  
INDEPENDENT APPRAISER, REGARDING VALUE OF  
FARMS STORAGE FACILITY – Page 5


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ec22gz013m

1 I declare under penalty of perjury under the laws of the State of Washington and  
2 the United States of America that the foregoing is true and correct.

3 DATED this 22nd day of March 2021.

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6 Clint W. Bumguardner  
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DECLARATION OF CLINT W. BUMGUARDNER,  
INDEPENDENT APPRAISER, REGARDING VALUE OF  
FARMS STORAGE FACILITY – Page 6

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An Appraisal Report of  
**Easterday Farms Potato & Onion Storage Facility**  
located at 138105 S Nine Canyon Road  
Kennewick, Benton County, Washington

Effective Date  
March 16, 2021



Requested By  
Mr. Maxim Litvak  
Pachulski, Stang, Ziehl, & Jones, LLP  
10100 Santa Monica Blvd., 13<sup>th</sup> Floor  
Los Angeles, CA 90067-4003



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**EXHIBIT A**

March 19, 2021

Mr. Maxim Litvak  
Pachulski, Stang, Ziehl, & Jones, LLP  
10100 Santa Monica Blvd., 13<sup>th</sup> Floor  
Los Angeles, CA 90067-4003

RE Name: Easterday Farms Potato & Onion Storage Facility  
Location: 138105 S Nine Canyon Road, Kennewick, Benton County,  
Washington

Dear Mr. Litvak,

In accordance with your letter of engagement dated March 12, 2021, we have prepared an appraisal of the property referenced above. The purpose of the appraisal is to estimate the current "As Is" market value, as defined in the accompanying report, of the fee simple interest in the property as of the effective date of the appraisal. We understand that the intended use of the report is to provide information for use in making business decisions concerning the subject property. This report is for the use and benefit of, and may be relied upon by, Mr. Maxim Litvak of Pachulski, Stang, Ziehl, & Jones, LLP, and their respective successors, assigns and affiliates.

Pachulski, Stang, Ziehl, & Jones, LLP makes no warranties or representations regarding this document or the conclusions contained herein.

The effective date of this appraisal is March 16, 2021, and is based on data and market conditions prevailing on that date. The research and analysis contained herein was conducted during the month of March 2021.

By reason of our investigation and analysis of data contained in this report, other information in our files, and our experience in the real estate and appraisal profession, it is our opinion that the "As Is" market value of the fee simple interest in the ***Easterday Farms Potato & Onion Storage Facility***, located at 138105 S Nine Canyon Road, Kennewick, Benton County, Washington, as of March 16, 2021, is:

**FIFTEEN MILLION ONE HUNDRED THOUSAND DOLLARS**  
**\$15,100,000 ROUNDED**



The legal description has been personally plotted to the best of our ability and generally describes the subject property. These value estimates are subject to the assumptions and limiting conditions as set out herein. The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation and the specific appraisal standards set out in 12 CFR, Part 1608 and in conformance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), revised June 7, 1994, and subsequent federal regulations including the most recent Interagency Appraisal and Evaluation Guidelines effective 12/10/10, and amendments thereto, to the extent that the available market data will allow.

We do not warrant that the improvements meet the specifications established by the Americans with Disabilities Act. Furthermore, as a result of our analysis, we have concluded that the property has no scientific, natural, cultural, or recreational value.

*Additionally, the appraisers were not provided a survey of the subject property. The size used in this appraisal was the size indicated by the Morrow County Appraisal District and is assumed correct. If the size of the subject property changes, our value is subject to change.*

Extraordinary Assumption: *It should be noted that, to our knowledge, no environmental hazard was known to be located on the property, as of the effective date of this appraisal. However, we are not experts in the field of environmental hazards or ground contamination; therefore, should any questions concerning environmental hazards or material arise, it is suggested that the client call on an expert in this field to provide further analysis and inspection. The value estimate of this appraisal assumes that there are no environmental problems which would adversely affect the marketability of the property.*

*Hypothetical Condition:* None

The following pages of this report and addenda contain the pertinent data gathered in the course of our investigation and sets forth the methods employed in completing the value estimate.

Mr. Maxim Litvak  
Page 3

March 19, 2021

We thank you for the privilege of serving you and trust that you will find this report satisfactory.

Sincerely yours,

A handwritten signature in blue ink that reads "Clint W. Bumgardner". The signature is fluid and cursive, with the first name "Clint" being more prominent.

Clint W. Bumgardner, MAI, ASA  
General State Certified Appraiser  
State Certification No. TX-1321020-G  
Washington Certification No. 1102340

A handwritten signature in blue ink that reads "Jeremy J. Wethington". The signature is fluid and cursive, with the first name "Jeremy" being more prominent.

Jeremy Wethington, Certified Appraiser  
State Certification TX-1380954-G

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## **PART I - INTRODUCTION**

## Summary of Salient Facts, Data and Conclusions

<b>Property Appraised:</b>	<b>Easterday Farms Potato &amp; Onion Storage Facility</b> located 12 miles south of Kennewick, in the southeastern portion of Benton County, Washington.
<b>Property Type:</b>	Commercial Potato & Onion Storage - 1,680,000 cwts. storage capacity.
<b>Location:</b>	Southeast Benton County; 12 miles South of Kennewick, and located at 138105 S Nine Canyon Road, Kennewick, Benton County, Washington.
<b>GPS Coordinates:</b>	Latitude: 46° 00' 39.15" North Longitude: 119° 07' 07.15" West
<b>Interests Appraised:</b>	Unencumbered fee simple interest - real estate (land, structures and associated equipment in-use).
<b>Legal Description:</b>	Being <b>22.24 total acres</b> out of the southwest corner of the SW/4 of Section No. 7, Township 6 North, Range 30 East, in Benton County, Washington.
<b>Purpose of Appraisal:</b>	The purpose of the appraisal is to develop and support an opinion of the "As Is" market value of the subject real estate (land, structures and associated equipment in-use), as of the effective date of the appraisal.
<b>Effective Date of Valuation:</b>	March 16, 2021
<b>Intended Use of Appraisal:</b>	For the sole purpose of assisting the client, Mr. Maxim Litvak & Associates with internal decision making concerning the subject property.
<b>Intended User:</b>	The intended user of this report is Mr. Maxim Litvak of Pachulski, Stang, Ziehl, & Jones, LLP, and their respective successors, assigns and affiliates. It is not intended for any other users. No purchaser or seller of the subject property, nor any borrower nor 3 <sup>rd</sup> parties are intended users of this appraisal and no such parties should use or rely on this appraisal for any purpose. All such parties are advised to consult with appraisers or other professionals of their own choosing.

## Summary of Salient Facts, Data and Conclusions (continued)

### Land Data:

<b>Size</b>	22.24 acres
<b>Shape</b>	Mostly square
<b>Frontage</b>	Approximately 975 feet along the east side of S Nine Canyon Road (paved).
<b>Zoning:</b>	None

### Flood Zone:

According to FEMA, Flood Plain Maps are not available for the outlying areas of Benton County, Washington. Due to the elevation and topography of the subject property, it is assumed that the subject improvements do not lie within a designated 100-year flood area. *However, it is recommended that a survey, by a registered surveyor be performed to determine exact elevations, flood status and the amount of acreage that might be affected.*

### Improvement Data:

<b>Sheds Capacity</b>	1,680,000 cwts. storage capacity
-----------------------	----------------------------------

#### Potato Sheds

Shed Nos. 1 thru 8 and 11 & 12; Ten (10) Behlen/ Teton West Potato Sheds - 68' x 226' with a below grade plenum / fan room (600+/- SF) on each end and control room (170+/- SF) on every other shed. Each shed is approximately 15,368 SF for a total of 153,680 SF Total - Potato Sheds with ventilation equipment and control room, and a second floor observation/ inspection walkway. Each structure contains a below grade 600+/- SF fan house with control room and fan equipment with stairway to inspection platform as well as 35 vent tubes.

Shed Nos. 1 thru 8 are potato storage only; Shed Nos. 11 & 12 are equipped for potato storage only.

## Summary of Salient Facts, Data and Conclusions (continued)

### Potato Sheds

Shed Nos. 9 & 10 and 13 thru 16; Six (6) Behlen/ Teton West Onion Sheds - 68' x 226' with a below grade pleenum/ fan room (600+/- SF) on each end and control room (170+/- SF) on every other shed. Each shed is approximately 15,368 SF for a total of 153,680 SF Total - Onion Sheds with ventilation equipment and control room, and a second floor observation/ inspection walkway. Each structure contains a below grade 600+/- SF fan house with control room and fan equipment with stairway to inspection platform as well as 44 rows of underfloor ducts.

Shed Nos. 9 & 10 are potato or onion storage; Shed Nos. 13 thru 16 are equipped for onion storage only.

### Year Built:

12 Bays constructed in 2011; 4 Bays constructed in 2014

### Current Use:

Commercial Potato & Onion Storage Sheds - 1,680,000 cwts. capacity.

### Highest and Best Use:

As Vacant

Hold for Development or adjoin with adjacent agricultural land.

As Improved

Commercial Potato & Onion Storage Sheds

### Natural, recreational, cultural or scientific value:

The appraisers were not provided with a study regarding natural, recreational, cultural or scientific amenities on the subject and are not qualified as experts in determining value attributed with these amenities. If a subsequent study is completed and indicates a value for any of these specific amenities, the appraisers reserve the right to modify the value conclusions in this report.

## Summary of Salient Facts, Data and Conclusions (continued)

### Nuisances, Hazards and Detrimental Influences:

The appraisers were not provided with an environmental study on the subject tract and are not qualified as experts in determining environmental contamination. If a subsequent environmental study indicates a hazardous condition on the subject site, the appraisers reserve the right to modify the value conclusions in this report.

### Assessed Value (2021)

Market Land Value:	\$ 266,880
Improvement Value:	\$8,008,980
Assessed Value :	\$8,030,550

### Indicated Land Value by

**Sales Comparison Approach:** \$278,000 (\$12,500/ acre)

### Indicated Improvement

**Value by Cost Approach:** \$15,050,000 (RE & Equipment)

### Indicated Value by Sales

**Comparison Approach:** \$15,120,000 (RE & Equipment)

### Indicated Value by

**Income Approach:** \$15,100,000 (RE & Equipment)

<b>FINAL MARKET VALUE INDICATION:</b>
---------------------------------------

<b>\$15,100,000</b>
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**Estimated Exposure Time:** 12 months



Real Estate fixtures are typically equipment items that have been attached, fixed or installed to the land or building in a permanent manner and thus become a part of the real estate as removal would damage the real estate. The subject potato storage facility contains several items considered as real estate fixtures, as their removal would typically cause damage to the building structure and/ or would render the facility no longer a commercial potato storage facility as it could not perform the functions typically associated with a potato storage facility processes and its highest and best use. The comparable improved sales utilized in this report included similar fixtures to the subject property and the market generally recognizes these items as real estate fixtures. In addition, commercial potato storage facility sales are typically compared on their storage and/ or cleaning capacities, which could not be generated without the associated real estate fixtures. *This appraisal is subject to the continuance of all permits needed for the potato and onion storage facility operation.*

### **Valuation Considerations**

Forces that influence real property values include social trends, economic circumstances, governmental controls and regulations and environmental conditions. Any or all of these might be impacted by a disaster. Factors that create value include utility, scarcity, desire and effective purchasing power. Again, any or all of these might become issues in the aftermath of a disaster. Property utility might be impacted by damage or destruction; properties might be more scarce because damaged or destroyed properties are removed from the overall supply; desire for property might increase because displaced homes and businesses need replacement space; and effective purchasing power might be impacted by changes in lending policies and practices in the area in response to the disaster.

A disaster might have a drastic impact on both supply and demand, causing them to suddenly be out of balance. The principles of substitution, contribution and externalities help provide the answers to these questions. As in any assignment, identification of the subject's market area is critical. Generally, all properties in the subject's market area are similarly impacted by the disaster. "Typical" motivations and "reasonable" exposure times are therefore measured by what is observed in that market area during the same time period. In other words, "normal" is redefined – at least for the time being.

The global outbreak of a "novel coronavirus" known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. This pandemic threatens global economic markets and it is unclear at this point how this will affect real estate values in the near and/or long term. Due to these unknown factors, this value conclusion could be affected."

## Property Identification and Location



### Location

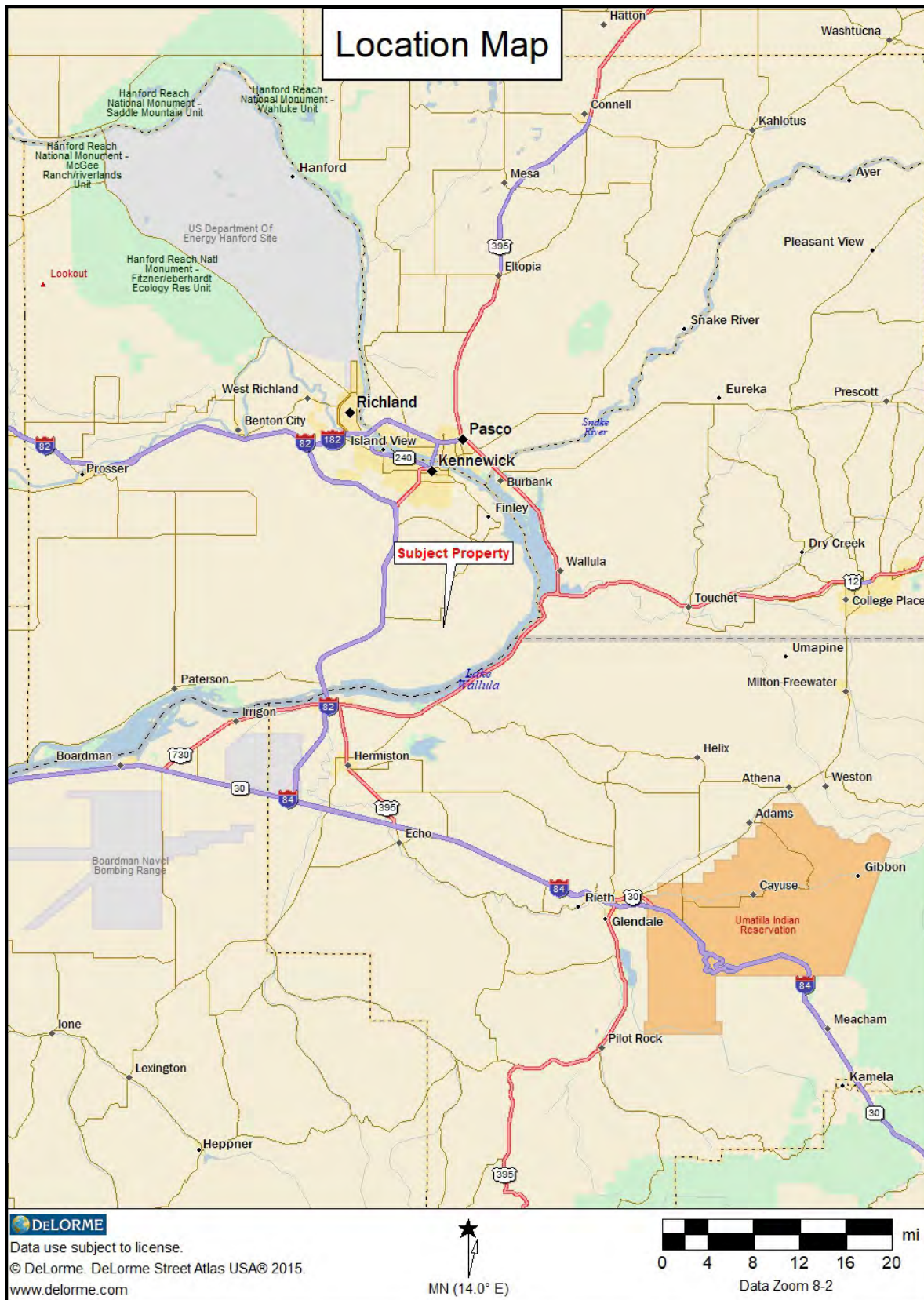
The property is located at 138105 S Nine Canyon Road, approximately 12 miles south of Kennewick, in the southeastern portion of Benton County, Washington.

The property is identified as ***Easterday Farms Potato & Onion Storage Facility***. The subject Potato & Onion Storage Facility has a total storage capacity of 1,680,000 cwt. The building improvements include sixteen (16) potato and/or onion storage sheds.

### Legal Description

Being **22.24 total acres** out of the southwest corner of the SW/4 of Section No. 7, Township 6 North, Range 30 East, in Benton County, Washington.

*The appraiser(s) were not provided a survey of the subject property. The acreage amount used in this appraisal was the size indicated by the Benton County Appraiser's Office and information provided by the client and is assumed correct. If subsequent data indicates this amount to be incorrect, the appraiser(s) reserve the right to alter the determinations in this report.*



W. T. Appraisal, Inc.





*W. T. Appraisal, Inc.*

## **Scope of Work**

### **Appraisal Problem to be Solved**

The problem to be solved in this appraisal assignment is to support and form an opinion of value of the "As Is" market value of the subject property, as of the effective date of appraisal, and subject to the assumptions and limiting conditions set forth in the appraisal. The fee simple interest in the subject property is being appraised. The subject property is currently utilized as commercial potato and onion storage facility, located 12 miles south of Kennewick, Benton County, Washington.

### **Intended Use and Intended Users of the Appraisal**

The intended use of this appraisal is to assist the client, Mr. Maxim Litvak and associates, with making a business decision regarding the subject property. This report is intended for use only by the client, Mr. Maxim Litvak of Pachulski, Stang, Ziehl, & Jones, LLP, and their respective successors, assigns and affiliates. This report is not intended for any other use or users.

This report is intended for use by Mr. Maxim Litvak & Associates. Use of this report by others is not intended by the appraiser. No purchaser or seller of the subject property, nor any borrower are intended users of this appraisal and no such parties should use or rely on this appraisal for any purpose. All such parties are advised to consult with appraisers or other professionals of their own choosing.

### **Effective Date of Appraisal and Date of Report**

This appraisal has an effective date of March 16, 2021 and is based on data and market conditions prevailing on that date. This appraisal report was written during the month of March 2021, and was completed on March 19, 2021.

### **Property Rights Appraised**

In this particular appraisal, the property rights appraised consist of the fee simple interest in the subject.

A **fee simple interest** is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat<sup>1</sup>.

## **Type and Definition of Value Used in the Appraisal**

Market value is defined as being the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.<sup>2</sup> Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised and each acting in what they consider their own best interests;
- 3) A reasonable time is allowed for exposure in the open market,
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.<sup>3</sup>

## **Extent of Property Identification**

### **Physical Characteristics**

The total area of the subject site is approximately 22.24 acres. The tract is mostly square in shape, and mostly level to moderately sloping in topography. According to FEMA, Flood Plain Maps are not available for the outlying areas of Benton County, Washington. Due to the elevation and topography of the subject property, it is assumed that the subject improvements do not lie within a designated 100-year flood area. *However, it is recommended that a survey, by a registered surveyor be performed to determine exact elevations, flood status and the amount of acreage that might be affected.*

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<sup>1</sup>The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013, page 58

<sup>2</sup> The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013, page 58.

<sup>3</sup> The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013, Page 59

As of the date of inspection, the site was improved with the *Easterday Farms Potato & Onion Storage Facility*, consisting of sixteen (16) potato and onion storage sheds.

### **Legal Characteristics**

We relied on information from surveys, deeds and county records concerning easements, restrictions and other encumbrances. The subject legal description is:

Being **22.24 total acres** out of the southwest corner of the SW/4 of Section No. 7, Township 6 North, Range 30 East, in Benton County, Washington.

*The appraiser(s) were not provided a survey of the subject property. The acreage amount used in this appraisal was the size indicated by the Benton County Appraiser's Office and information provided by the client and is assumed correct. If subsequent data indicates this amount to be incorrect, the appraiser(s) reserve the right to alter the determinations in this report.*

### **Extent of Property Inspection**

The subject property was photographed and inspected on the ground. Building measurements and site measurement were taken during the inspection. An interior and exterior inspection of all the buildings was preformed. The inspection was performed in order to gather information about the physical characteristics of the subject that are relevant to the valuation problem. The inspection was conducted on March 16, 2021.

### **Type and Extent of Data Researched**

Comparable improved sales and leases were obtained and verified by principals, brokers or appraisers in order to form an opinion of value for the subject property including land and improvements by use of the sales comparison approach to value. All of the sales and leases used were inspected either physically or by plats and/or photographs. All sale/ lease information was analyzed in applying the sales comparison and income approaches to value. Comparable construction cost data and Marshall & Swift Valuation Service were used to determine the replacement cost new of the structural and site improvements. In addition, we reported the current assessed value and the applicable tax rates as provided by the County. We reviewed factors controlling highest and best use, formed a preliminary opinion, and checked that opinion against collected data for reasonableness. We also reviewed employment, population, and other demographic data from various federal and local governmental agencies for analysis and reliance on for demographic trends.

## **Type and Extent of Analysis Applied**

The value opinion presented in this report was based upon review and analysis of the market conditions affecting real property value of competitive properties and sales in the Benton County, Washington area. The appraisal problem did not warrant an intensive highest and best use study. Given the nature of the subject real estate, our conclusion of highest and best use was based on logic, observed evidence, and our experience in the real estate appraisal profession.

After selecting the land sales, a comparative analysis of relevant factors that influence value was undertaken to adjust the sales to the subject to arrive at a value of the subject land. This land value was then added to the replacement cost estimate of the subject improvements to arrive at an indicated value via the cost approach. After selecting the improved sales, a comparative analysis of relevant factors that influence value was undertaken to adjust the sales to the subject based upon the actions and preferences demonstrated by the participants in the market and based upon the appraiser's knowledge and experience in the appraisal business, to arrive at an indicated value via the sales comparison approach. Occupancy, rental rates and expenses of competitive properties in the subject market were utilized in arriving at an estimated net operating income for the subject property. Direct Capitalization was the method used to form a value indication in the income approach using overall capitalization rates extracted from the comparable sales. Thus, the cost, sales comparison, and income approaches to value were utilized to form opinions of value for the subject property.

Note: The equipment value contribution "is as" in place and functional. If separated, both Real Estate and Equipment Values would be negatively impacted.

## **History of Subject Property**

The present owner of record for the subject properties is Easterday Farms, and has been under the same ownership for several years. In 2011, the owners constructed twelve (12) potato & onion storage sheds and in 2014, four (4) additional sheds were constructed. At the time of our appraisal, the subject property is being actively marketed by, Mr. Skye Root of Root Agricultural Advisory. The appraisers are not aware of any other pending sales, listings, offerings, or other transactions concerning the subject property, as of the date of this appraisal.



## **Competency Statement**

The appraiser(s) have valued numerous agricultural, as well as, industrial and agricultural properties including potato/ onion sheds and USDA food processing facilities within the States of Texas, Oklahoma, Kansas, Nebraska, New Mexico, California, Oregon, Arkansas, Utah, Ohio, Pennsylvania, Indiana, Iowa, Michigan, Wisconsin and Colorado during the past five years. For these reasons, the appraiser has the professional competency required to appraise the subject property.

Mr. Bumguardner is a member of the Appraisal Institute (MAI No. 10161), an Accredited Senior Appraiser (ASA) of the American Society of Appraisers as well as a State Certified General Real Estate Appraiser in the State of Washington, certificate number 1102340.

Mr. Wethington is a State Certified General Real Estate Appraiser in the State of Texas, certificate number TX-1380954-G.

As the appraiser has valued numerous agricultural industry properties that include both real estate and fixtures/ equipment - it is the appraisers intent to satisfy USPAP Standards 1 and 2 for real property valuation component and Standards 7 and 8 for the equipment / personal property valuation component.

## **Report Type**

This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it presents summarized discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of this report.

## **Real Estate Fixtures**

Real Estate fixtures are typically equipment items that have been attached, fixed or installed to the land or building in a permanent manner and thus become a part of the real estate as removal would damage the real estate. The subject potato storage contains several items considered as real estate fixtures, as their removal would typically cause damage to the building structure and/or would render the facility no longer a potato storage as it could not perform the functions typically associated with potato storage processes and its highest and best. The comparable improved potato storage sales utilized in this report included similar fixtures to the subject property and the market generally recognizes these

items as real estate fixtures. In addition, potato storage sales are typically compared on their square footage and/or capacities, which could not be generated without the associated real estate fixtures.

### **Extraordinary Assumption**

An extraordinary assumption is something that is believed to be true for the sake of the appraisal but that may or may not in fact be true as of the effective date of the appraisal.<sup>4</sup>

We have made no Extraordinary Assumptions in our analysis of the subject property. We have not made any Hypothetical Condition assumptions or other conditions that might impact value.

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<sup>4</sup>The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013, page 53.

## **PART II - DESCRIPTIONS AND ANALYSIS**

## Benton County, WA Area Analysis

Analysis of a local economy often focuses on trends in population, employment and income. The conditions and potential of the local economy are relevant to most appraisal assignments. The value of real estate in a community is influenced by the demand for its use. The demand for various types of real estate, including vacant land, depends on the population of the market that the real estate serves, the effective purchasing power of this population, and their desire to own real estate. Demand may change for various types of real estate and between real estate and non-realty investment sources. "Market areas are defined by a combination of factors, such as, physical features, the demographic and socioeconomic characteristics of the residents or tenants, the condition of the improvements, and land use trends."<sup>5</sup>

### Location

Benton County and the city of Prosser, the county seat, are located in the south-central portion of the state. Established in 1905 from portions of Yakima County and Klickitat County. The County covers 1,760 square miles of area and has an elevation of 959 feet with the highest point being Rattlesnake Mountain at 3,527 feet.

Prosser is located 149 miles southwest of Spokane, 155 miles southeast of Seattle, and 147 miles northeast of Portland, Oregon. Major highways which provide access to the area include Interstate Highway 82, and US Highway 12 and State Highways 224 and 221. The county is also dissected by many county and farm to market roads. All of these highways are in good condition and provide the area with adequate access.

Farm enterprise is mainly fruit production, dairy production, beef cattle feeding and farming. The rise of viticulture has had a profound impact on the agricultural and tourism industries over the past two decades, and has in many ways reshaped the reputation of the region.

In the following discussions, the four forces that influence value 1) social, 2) economic, 3) governmental and 4) environmental will be examined. An understanding of the four forces is fundamental to appraising because the interaction of these forces creates the climate in which property values increase, decrease, or remain stable.

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<sup>5</sup>The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008 page 54.

## Social Forces

### Demographics

Benton County's total population in 2010 was 175,177 and in 2019 was estimated to be 204,390. The median age in 2019 was 36.1 years. The 2019 median household income was \$69,023 with a per capita income of \$32,882.

COMPARATIVE POPULATION STATISTICS				
Year	Prosser	Percent Change	Benton County	Percent Change
1990	4,476	N/A	112,560	N/A
2000	4,838	7.48%	142,475	21.00%
2010	5,714	15.33%	175,177	18.67%
2015	5,819	1.80%	190,218	7.91%
2016	5,860	0.70%	193,494	1.69%
2017	5,967	1.79%	198,200	2.37%
2018	6,076	1.79%	201,286	1.53%
2019	6,202	N/A	204,390	1.52%

## Economic Forces

### Employment

Benton County has a work force of 100,024 unemployment rate of 6.9% as of January 2021. Between 2000 and 2019, the total civilian labor force has shown a steady increase. The 2000 unemployment rate was 4.9% compared to 6.9% as of January 2021 with fluctuating patterns throughout the 21 years reflecting the national economic conditions.

The following chart illustrates the employment data for the years 2000 through January 2021. (Source: Washington Employment Security Department)

BENTON COUNTY LABOR FORCE				
Year	Civilian Labor Force	Number Employed	Number Unemployed	Percent Unemployment
2000	76,070	72,320	3,750	4.9
2005	84,590	79,750	4,840	5.7

2010	94,390	86,990	7,400	7.8
2011	93,140	85,620	7,520	8.1
2012	92,080	83,670	8,410	9.1
2013	90,100	82,080	8,020	8.9
2014	89,990	83,100	6,890	7.7
2015	91,760	85,591	6,169	6.7
2016	94,291	88,412	5,879	6.2
2017	97,430	92,070	5,360	5.5
2018	99,084	93,924	5,160	5.2
2019	103,169	97,773	5,396	5.2
2020	107,448	98,586	8,862	8.2
Jan 2021	100,024	93,539	6,485	6.5

Employment by industry in Benton County is shown in the following chart.

BENTON COUNTY EMPLOYMENT BY INDUSTRY 2019	
TYPE OF EMPLOYMENT	TOTAL EMPLOYED
Farm Employment	4,895
Forestry, fishing and related activities	(D)
Mining, quarrying, oil and gas extraction	(D)
Construction	9,396
Manufacturing	5,085
Wholesale Trade	1,801
Retail Trade	12,232
Transportation & Warehousing	2,111
Utilities and Information	1,012
Finance & Insurance	3,723
Real estate, Rental & Leasing	4,246
Professional & Technical Services	11,459
Management of Companies & Enterprises	621
Administrative & Waste Services	11,627
Educational Services	1,155

Health Care & Social Services	15,039
Arts, Entertainment & Recreation	2,480
Accommodations & Food Service	8,578
Other services, except public administration	5,439
State & Local Government	12,959
<i>Source: Bureau of Economic Analysis</i>	

As the chart shows, industries employing the most people are state and local government followed by healthcare services, government, retail trade, administrative & waste services, professional & technical services, and construction.

## **Governmental Forces**

### **Public Services**

Adequate utility service is provided to the area. Most of the rural portions of the area are served by rural coop water systems or private wells and septic systems. The Benton County Sheriff's Department is responsible for law enforcement while fire protection is from various volunteer fire departments.

### **Education**

Public education for Benton County covers 7 school districts or 60 public schools educating approximately 33,870 students in public school and 10 private schools with approximately 1,373 students. Higher education opportunities include Central Washington University, Yakima Valley Community College, Washington State University Tri-Cities, Heritage University, Perry Technical Institute, Columbia Basin College, and the Pacific Northwest University of Health Sciences.

### **Government**

Benton County has a three member Board of County Commissioners with 6 incorporated towns within the county that are governed by town councils. Building permits issued in 2020 totaled 897.

## **Environmental Forces**

Average precipitation in Benton County is 8 inches per year with 7 inches of snowfall occurring in November, December and January. The average temperature in winter is 25° and in summer is 89°. Favorable weather makes Benton County a leader in agricultural products, outdoor recreation and tourism.

## **Terrain**

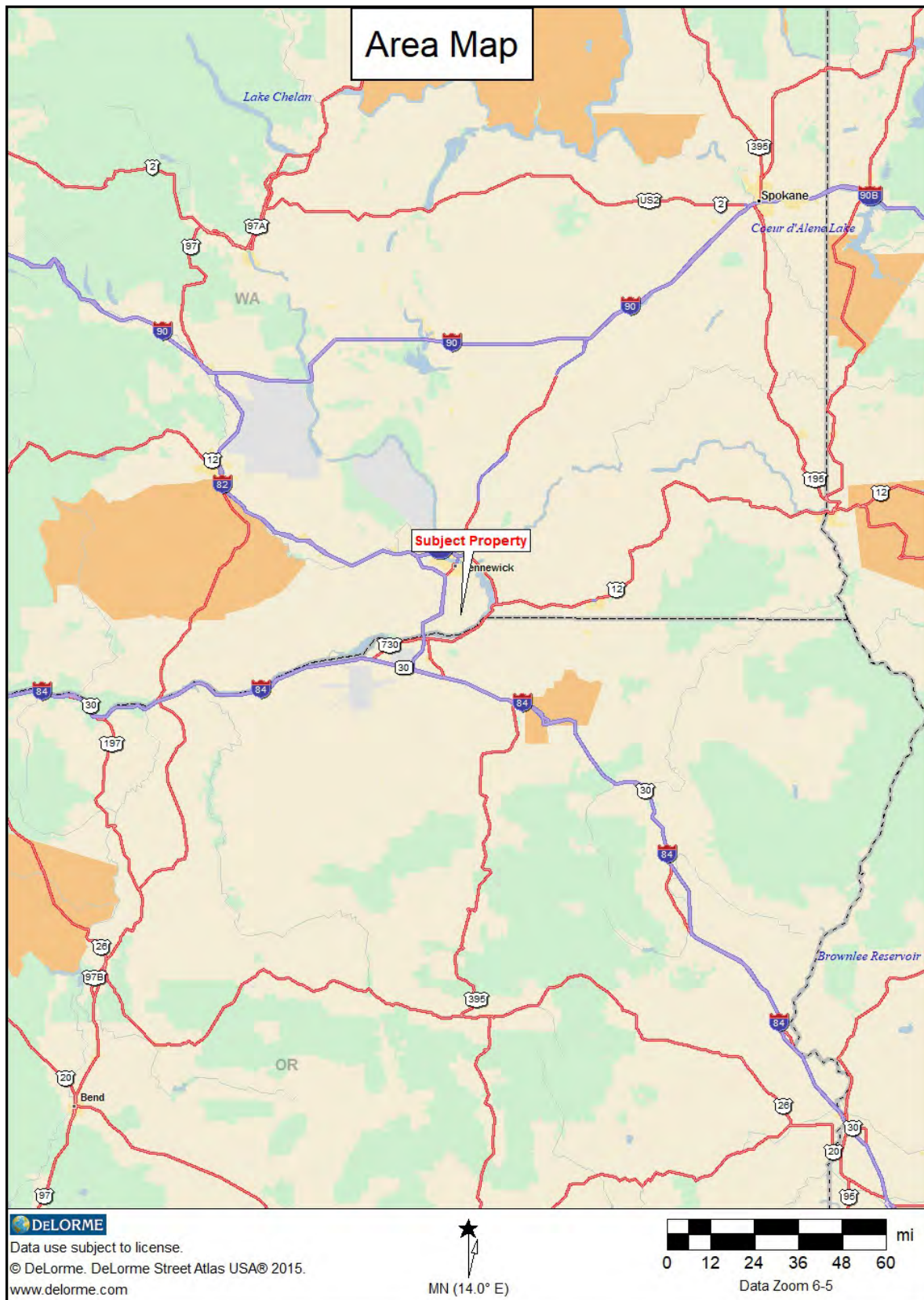
Benton County is primarily level plains. According to the General Soil Map of Benton County provided by the USDA Natural Resources Conservation District, the county consists of typical soils for the area.

## **Summary**

In conclusion, the economy of the Benton County area is based largely on the agricultural for economic growth and stability. It is primarily an agricultural area with a number of large farming and cattle operations including fruit production, dairies and cattle. According to the Benton County Development Association, 40% percent of the manufacturing sector is related to food processing. Also included in the manufacturing sector is the production of paper products, lumber and wood products, transportation equipment, plastics, metals and bio-fuel for bio-diesel, bio-gas and ethanol products.

The area is largely dependent on agricultural production with the labor force peaking in summer months and dropping off in dormant winter production months. The national recession played a large role with job losses in 2011 occurring in the manufacturing, construction and government sectors.





## Site Data and Analysis

A site is land that has been improved so that it is ready to be used for a specific purpose. Land, on the other hand, can be raw or improved. Raw land, is land on which no improvements have been made; land in its natural state before grading, construction, subdivision, or the installation of utilities. A site description is a comprehensive listing of factual data, including a legal description, other title and record data, and information on physical characteristics of the site.<sup>6</sup>

### Zoning and Land Use Information

The subject property is located in the southeastern portion of Benton County, approximately 12 miles South of Kennewick, Benton County, Washington. The physical address is reported as 138105 S Nine Canyon Road, Kennewick, Washington. The subject consists of 22.24 acres and is mostly square in shape. The tract has approximately 975 feet along the east side of S Nine Canyon Road (paved). The topography of the subject site is level to gently sloping for the most part. There appears to be enough slope to allow for adequate surface water drainage.

### Easements, Encroachments and Restrictions

*Easements* - There are no known easements considered to have a major detriment to the site. It should be noted, however, that if a current survey map, or a registered surveyor determines that adverse easements do exist, these factors may impact the market value and/ or the marketability of the subject property. Therefore, it is assumed that no easements exist, which would adversely affect the marketability or desirability of the site.

*Encroachments* - The physical inspection of the property did not reveal any adverse encroachments. Also, there are no known deed restrictions which would be detrimental to value. In order to verify these findings, a survey by a licensed surveyor and a title opinion by a reputable title company are recommended.

*Deed Restrictions* - No formal study of deed restrictions was conducted. However, it is recommended that a lawyer or title company be consulted regarding any deed restrictions associated with subject site.

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<sup>6</sup>The Appraisal of Real Estate, Appraisal Institute, Fourteenth Edition, 2013, page 205-206.

## Physical Characteristics

### Location

The subject property is situated along the east side of Nine Canyon Road, approximately twelve (12) miles south of the City of Kennewick, Benton County, Washington. The physical address is reported as 138105 S Nine Canyon Road, Kennewick, Washington.

### GPS Coordinates

Latitude: 46° 00' 39.15" North  
Longitude: 119° 07' 07.15" West

### Size & Shape

According to information provided by the client and the Benton County Assessor's Office, the subject contains 22.24 acres of land area, and is mostly square in shape. However, its configuration is considered such that it does not limit the site's overall utility or restrict the type of development which could be physically possible. The subject site is considered typical for an agricultural, industrial land tract in the area.

*The size used in this appraisal was based on information from the client and the Benton County Assessor's Office, and is assumed correct. If the size of the site changes, our value is subject to change.*

### Frontage/ Access

The subject site contains approximately 975 linear feet of frontage along the east side of Nine Canyon Road. Nine Canyon Road is an asphalt surfaced, county maintained roadway in average condition. The site has adequate frontage along a public roadways for its current use.

### Topography

The topography of the site is mostly level to sloping, and drainage appears adequate. The elevation ranges from approximately 1,200 to 1,280 feet above sea level. The subject topography is considered to be typical of the surrounding area, and does not appear to impact its development potential.

## Flood Plain

According to FEMA, Flood Plain Maps are not available for the outlying areas of Benton County, Washington. Due to the elevation and topography of the subject property, it is assumed that the subject improvements do not lie within a designated 100-year flood area. *However, it is recommended that a survey, by a registered surveyor be performed to determine exact elevations, flood status and the amount of acreage that might be affected.*

## Definitions of FEMA Flood Zone Designations

Flood zones are geographic areas that the FEMA has defined according to varying levels of flood risk. These zones are depicted on a community's Flood Insurance Rate Map (FIRM) or Flood Hazard Boundary Map. Each zone reflects the severity or type of flooding in the area. In communities that participate in the NFIP, flood insurance is available to all property owners and renters in these zones:

Zone	Description
<b>High Risk - Zone AE</b>	Areas subject to inundation by the 1% annual chance flood, where base flood elevations are provided. In high-risk areas, there is at least a 1 in 4 chance of flooding during a 30-year mortgage. All home and business owners in these areas with mortgages from federally regulated or insured lenders are required to buy flood insurance. They are shown on the flood maps as zones beginning with the letters A or V.
<b>Moderate/Low Risk - Zone X</b>	Areas determined to be outside the 0.2% annual chance floodplain. In moderate- to low-risk areas, the risk of being flooded is reduced but not completely removed. These areas submit over 20% of NFIP claims and receive one-third of disaster assistance for flooding. Flood insurance isn't federally required in moderate-to-low areas, but it is recommended for all property owners and renters. They are shown on flood maps as zones labeled with the letters B, C or X (or a shaded X).

## Soil

The USDA/ Natural Resources Conservation Services (NRCS) General Soil Survey of Benton County provided information concerning the soil types present on the subject property. The major range soils found on this property are:

SOIL CODE	SOIL DESCRIPTION	ACRES	%	CAP
SnD2	Shano very fine sandy loam, 0 to 15 percent slopes, eroded	22.3	100.0	6e
TOTALS		22.3	100%	6.0

\*Source: USDA-NRCS Official Soil Series Descriptions - <https://soilseries.sc.egov.usda.gov/osdname.aspx>

Overall, the subject appears to possess typical soil types for the area. Additionally, the subject site's soils appear such that its load bearing capacity does not restrict the construction of ordinary structural improvements. No evidence to the contrary was noted during physical inspection of the site.

### **Egress & Ingress**

The subject site has egress/ ingress along the east side of Nine Canyon Road (paved). Egress and ingress to the subject site was adequate for its highest and best use. The site is considered to have similar egress and ingress for an ag industrial site in the area.

### **Utilities**

All necessary utilities are provided to the subject site including electricity, water provided via a water well featuring an electric submersible pump, and a private septic system. The quality and sufficiency of the water and utilities appear adequate for the current operation.

### **Surrounding Uses**

Visual inspection of properties located within the immediate subject area dryland and irrigated cropland in all directions, a feedyard located south west of the property, along with scattered residential homesteads, and farming operations.

### **Zoning**

The subject is located outside any city limits and is not subject to any municipal zoning ordinances. We recommend that all zoning compliance/ conformity issues be verified through legal counsel.

### **Improvements:**

A Commercial Potato and Onion storage facility with the capacity of 1,680,000 cwts. The improvements include sixteen (16) 15,368 SF Behlen/ Teton West Potato and Onion Storage sheds and one water well. These improvements will be described in detail in another section of this report. See improvement section for detailed analysis.

### **Environmental Hazards**

The appraiser was not provided with an environmental study of the site with regards to possible hazardous materials. We are not experts in the field of environmental hazards or ground contamination; therefore, should any questions concerning environmental hazards

or material arise, it is suggested that the client call on an expert in this field to provide further analysis and inspection. The value estimate of this appraisal assumes that there are no environmental problems, which would adversely affect the marketability of the property.

## Summary and Conclusions

The subject site is located in an area of similar uses. The subject is typical in terms of size, shape, topography and productivity. The subject consists of a mostly square shaped tract, containing a total of approximately 22.24 acres of land area, and has all necessary utilities, which are adequate for present use. The site is not located in a flood hazard area, and is generally level to sloping and typical in soil types.

The site is currently improved with a potato and onion storage facility. The regional location of the subject facility is considered to be good with adequate supplies of commodities. Accessibility is average with primary ingress and egress from Nine Canyon Road, a asphalt paved, county-maintained roadway. The easements that exist are typical of other sites in the area and neither restricts the use or development of the subject, nor have a negative effect on its value. Given its size and use, the site is considered relatively consistent with the immediate area and provides average functional utility. The site is suitable for its current use as a **commercial potato and onion storage facility**.





Boundary





Boundary



| 22.3 ac

SOIL CODE	SOIL DESCRIPTION	ACRES	%	CAP
SnD2	Shano very fine sandy loam, 0 to 15 percent slopes, eroded	22.3	100.0	6e
TOTALS		22.3	100%	6.0

### Capability Legend

Increased Limitations and Hazards

Decreased Adaptability and Freedom of Choice Users

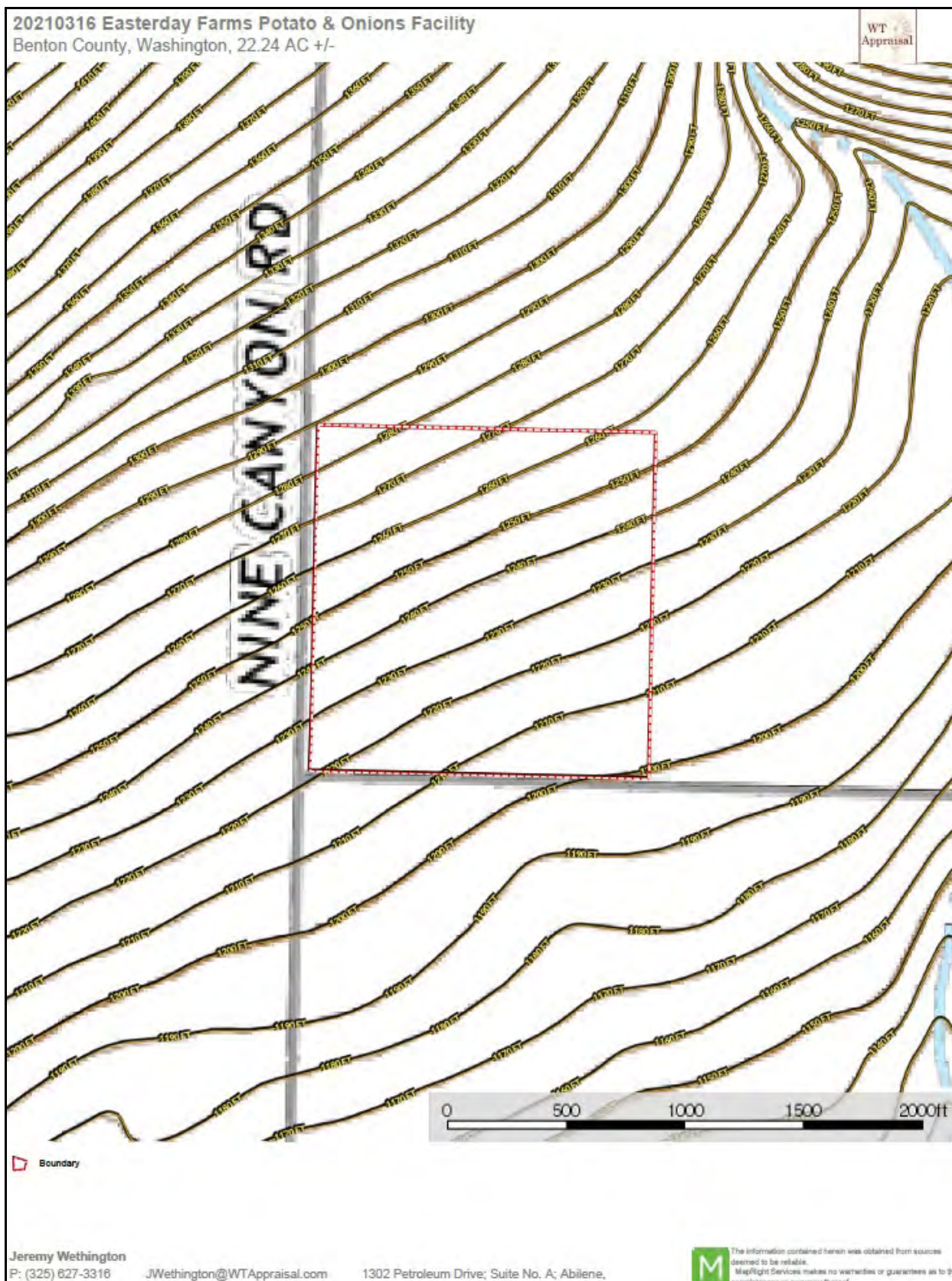
Land, Capability

	1	2	3	4	5	6	7	8
'Wild Life'	•	•	•	•	•	•	•	•
Forestry	•	•	•	•	•	•	•	
Limited	•	•	•	•	•	•	•	
Moderate	•	•	•	•	•	•		
Intense	•	•	•	•	•			
Limited	•	•	•	•				
Moderate	•	•	•					
Intense	•	•						
Very Intense	•							

### Grazing Cultivation

(c) climatic limitations (e) susceptibility to erosion

(s) soil limitations within the rooting zone (w) excess of water



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## **Description of the Improvements**

The subject improvements consist of a commercial Potato and Onion storage facility with the capacity of 1,680,000 cwts. The improvements include sixteen (16) 15,368 SF, Behlen/ Teton West Potato and Onion Storage sheds and a water well.

### **Design & Type of Facility**

Teton West style buildings are recognized as one of the best designs for insuring potato and onion quality. Each of the buildings are humidity and temperature controlled. The buildings are 68' x 226' and can hold 120,000 hundredweight of potatoes and/ or 60,000 hundredweight of onions per building. Twelve (12) of the bays were constructed in 2011; and four (4) bays were constructed in 2014.

Shed Nos. 1 thru 8 and 11 & 12; Ten (10) Behlen/ Teton West Potato Sheds - 68' x 226' with a below grade plenum / fan room (600+/- SF) on each end and control room (170+/- SF) on every other shed. Each shed is approximately 15,368 SF for a total of 153,680 SF Total - Potato Sheds with ventilation equipment and control room, and a second floor observation/ inspection walkway. Each structure contains a below grade 600+/- SF fan house with control room and fan equipment with stairway to inspection platform as well as 35 vent tubes. Shed Nos. 1 thru 8 are potato storage only; Shed Nos. 11 & 12 are equipped for potato storage only.

Shed Nos. 9 & 10 and 13 thru 16; Six (6) Behlen/ Teton West Onion Sheds - 68' x 226' with a below grade plenum/ fan room (600+/- SF) on each end and control room (170+/- SF) on every other shed. Each shed is approximately 15,368 SF for a total of 153,680 SF Total - Onion Sheds with ventilation equipment and control room, and a second floor observation/ inspection walkway. Each structure contains a below grade 600+/- SF fan house with control room and fan equipment with stairway to inspection platform as well as 44 rows of underfloor ducts. Shed Nos. 9 & 10 are potato or onion storage; Shed Nos. 13 thru 16 are equipped for onion storage only.

The Teton West Potato Sheds are specifically designed and built for potato storage and employ the most modern technology available to ensure and maintain the quality of potatoes. Once the potatoes are placed in the storage bins, the objective is to create the ideal environment to minimize deterioration and improve potato quality by using a ventilation system to force air through the potatoes and achieve the desired temperature and humidity.

### **Water Wells**

According to our-on-site inspection, the subject property has a submergible pump that is used for water. The current water well and available water are considered to be adequate for a Potato and Onion Storage facility.





**Property Summary:** Potato & Onion Storage Sheds

**Gross Building Area:** 15,368 Square Feet (per shed)  
245,888 Square Feet (total square feet)

Potato & Onion Storage Sheds - Shed Nos. 1 thru 8 and 11 & 12; Ten (10) Behlen/ Teton West Potato Sheds - 68' x 226' with a below grade pleenum / fan room (600+/- SF) on each end and control room (170+/- SF) on every other shed. Each shed is approximately 15,368 SF for a total of 153,680 SF Total - Potato Sheds with ventilation equipment and control room, and a second floor observation/ inspection walkway. Each structure contains a below grade 600+/- SF fan house with control room and fan equipment with stairway to inspection platform as well as 35 vent tubes. Shed Nos. 1 thru 8 are potato storage only; Shed Nos. 11 & 12 are equipped for potato storage only.

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house with control room and fan equipment with stairway to inspection platform as well as 44 rows of underfloor ducts. Shed Nos. 9 & 10 are potato or onion storage; Shed Nos. 13 thru 16 are equipped for onion storage only.

### **Quality Of Construction**

The quality of construction materials is considered to be excellent as is the workmanship.

### **Property Condition**

Overall, the condition of the improvements will be considered to be good as of the effective date of this appraisal. The current improvements range from 7 to 10 years old being constructed in 2011 and 2014.

### **Effective Age**

Effective age is defined as "the age indicated by the condition and utility of a structure." (*The Dictionary of Real Estate Appraisal*). Effective age can be greater or less than actual age. Maintenance and remodeling influence the effective age of a structure. The actual age of the improvements is 7 to 10 years, as they were newly built in 2011 and 2014. Due to the subject being in good condition, the prudent estimate of effective age is estimated to be 8 years.

### **Economic Life**

The life of these types of buildings and improvements is difficult to measure. From a physical standpoint the building, with renovation to the short-lived items, could last for 50 years or more. However, economic changes in the market have an effect on the improvement's ability to contribute to the property value. Therefore, the life of a property is usually measured in economic rather than physical terms.

Economic life is defined as "the period over which improvements to real property contribute to property value." (*The Dictionary of Real Estate Appraisal*). Generally, economic life and physical life vary, with the economic life of a structure being of shorter duration. Remaining economic life is the number of years remaining in the economic life of a structure, as of the date of the appraisal.

*The Marshall Valuation Service* rates various types of properties and analyzes them regarding mortality and ages at which major reconstruction and modernization has occurred. The subject buildings were judged to be Good Class C/S type construction on the Potato and Onion Storage Sheds. These types of buildings have an economic life that ranges from 30 years to 45 years. The actual age of the buildings ranges from 7 to 10 years. Data taken from comparable sales indicate that similar improvements have

economic lives of 35 to 45 years. We have estimated the economic life of the improvements to be 45 years. Since the effective age has been estimated at 8 years and the total economic life is estimated to be 45 years; the indicated remaining economic life is 37 years.

As the area surrounding the subject is agricultural in nature, the improvements are compatible with the surrounding properties.

## **Functional Obsolescence**

The improvements are generally functional in overall design and layout. The size and physical arrangement of the improvements compliment the utility requirements within the subject's market. The current improvements represent the highest and best use of the site, as improved.

## **Natural, Recreational, Cultural or Scientific Value**

Recent changes in appraisal practices require consideration of natural, recreational, cultural or scientific value. The criteria are as follows:

- |                           |   |   |
|---------------------------|---|---|
| <b>Natural Value</b>      | - | Properties of special significance are identified as properties with or adjacent to national landmarks, national wilderness areas, national or state parks, national or state wildlife refuges, areas identified by the U. S. Fish and Wildlife Service as "Critical Habitats" or other special natural features that include wetlands, ocean and lake shores, caves, dunes, coastal barrier islands and estuaries. |
| <b>Cultural Value</b>     | - | Properties of cultural special significance are based on criteria established by the National Register of Historic Places.  |
| <b>Recreational Value</b> | - | Properties of recreational special significance are identified as any property that is within or adjacent to existing public recreation areas or adjacent to rivers, oceans, or lake shores.  |
| <b>Scientific Value</b>   | - | Properties of scientific special significance are properties valued for scientific value or archaeological importance.  |

After consideration of the above criteria, it is concluded that the subject property does not have natural, recreational, cultural or scientific value.

## Improvement Summary

The structural improvements consist of several buildings which are an important part of the subject Commercial Potato & Onion Storage Facility. The structures were constructed in 2011 and 2014. The effective age of the buildings is 8 years and its remaining effective economic life is 37 years.

The improvements will be considered to be average to above average in functional utility as a Potato and Onion Storage facility. The improvements are considered to be in conformity, both physically and legally. The construction and materials are of good quality. Therefore, the property is suitable for its use as a **Commercial Potato and Onion Storage Facility**.













## Real Estate Tax and Assessment Analysis

The property is located in Benton County, Washington. The Benton County Assessor's Office estimates market values for all properties in the county, and these values are utilized by all taxing authorities in the county as a basis for assessing taxes. The taxing authorities having jurisdiction over the subject property include Benton County, Benton County Road, Fire District No. 1, Kennewick Hospital, Mid-Columbia Library, Port Of Kennewick, Finley SD 53, etc.

The 2020 appraised value of the land and improvements and the associated identification numbers assigned to the property by the Assessor's Office are listed in the chart below.

Property I.D.	Market Value Land	Improvement Value	Acres
Benton County, Washington			
298237	\$266,880	\$8,008,980	22.24
<b>Total</b>	<b>\$266,880</b>	<b>\$8,008,980</b>	<b>22.24</b>

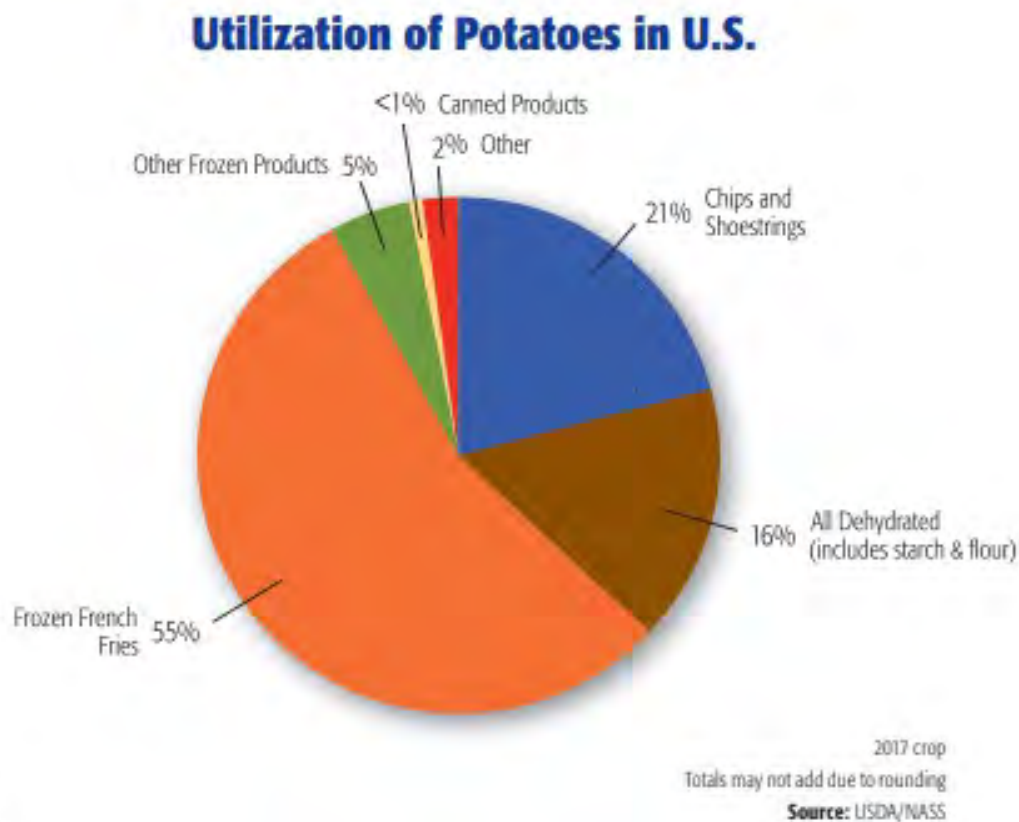
The total market value for the subject was \$8,275,860 in 2020, with a total taxable value of \$8,030,550. Thus, the estimated tax liability of the subject property was \$43,309.25 in 2020.

After analysis of the data within this report, *it is our opinion that the assessed value of the subject is similar to other properties in the area.*

## **Industry Overview**

## Potato Overview

Potatoes are the leading vegetable crop in the United States, contributing about 15 percent of farm sales receipts for vegetables. Americans consume about 130 pounds of fresh and processed potatoes annually, 40 pounds more than tomatoes, the next commonly eaten vegetable. Over 50 percent of potato sales are to processors for French fries, chips, dehydrated potatoes, and other potato products, while the remainder goes to the fresh market. Although potatoes are grown year round, the fall crop comprises roughly 90 percent of potato production.



Potato production in 2018 totaled 450 million cwt, down slightly from the 2017 crop. Harvested area, at 1.01 million acres, was down 3 percent from 2017. The average yield of 443 cwt per acre was up 11 cwt from the previous year.

Spring potato final production for 2018 totaled 17.8 million cwt, 18 percent below the previous year. Harvested area, at 51,800 acres, decreased 17 percent from 2017. The average yield for spring potatoes was 343 cwt per acre, down 7 cwt from 2017. Summer potato production was 17.8 million cwt for 2018, a 21 percent decrease from 2017. Harvested area, at 56,400 acres, was down 17 percent from 2017. The average yield of 315 cwt per acre was down 16 cwt from 2017. Fall potato production was estimated at 414

million cwt for 2018, up 2 percent from the 2017 crop. Area harvested in 2018 was 906,600 acres, 1 percent below the previous year. The average fall potato yield, at 457 cwt per acre, was up 12 cwt from 2017.

The value of all potatoes sold in 2018, at \$3.75 billion, decreased 3 percent from the previous year. The average price, at \$8.90 per cwt, was down \$0.27 from 2017. The quantity of potatoes sold from the 2018 crop totaled 420 million cwt, down slightly from 2017. Quantity sold accounted for 93 percent of 2018 production, unchanged from the previous year.

Growers from the 23 estimating States sold 289 million cwt of raw potatoes to processors from the 2018 crop, up 2 percent from 2017. Table stock sales totaled 106 million cwt, 3 percent below the previous year. Seed sales of 24.1 million cwt were down 5 percent from 2017. Sales for livestock feed, at 697 thousand cwt, decreased 64 percent from 2017.

<b>Top 10 Producing States</b> (in billion pounds)		
1	Idaho	13
2	Washington	10
3	Wisconsin	2.8
4	North Dakota	2.4
5	Oregon	2.1
6	Colorado	2.1
7	Minnesota	1.8
8	Michigan	1.7
9	California	1.6
10	Maine	1.5
2017 figures Source: USDA/NASS		



Shrinkage and loss was estimated at 25.5 million cwt for 2018, 2 percent above 2017. Potatoes used for livestock feed on farms where grown and home use totaled 556,000 cwt, a 37 percent decrease from the previous season. Growers kept 3.49 million cwt for seed on their own farms, down 1 percent from 2017.

United States potatoes used for processing totaled 298 million cwt, up 6 percent from 2017. Potatoes used for chips and shoestrings totaled 62.7 million cwt, up 7 percent from the previous year. Frozen french fries and other frozen products utilized 179 million cwt of raw potatoes, up 5 percent from 2017. Potatoes used for dehydrating totaled 49.1 million cwt, up 7 percent from 2017. Canning use, at 1.87 million cwt, was up 1 percent from the previous year. Other products made from potatoes utilized 5.55 million cwt of potatoes, a 10 percent decrease from 2017.

#### All Potatoes Price per Cwt and Value of Production - States and United States: 2016-2018

State	Price per cwt			Value of production <sup>1</sup>		
	2016	2017	2018 <sup>2</sup>	2016	2017	2018 <sup>2</sup>
	\$			\$1,000		
Alaska <sup>3</sup>	(X)	(X)	23.40	(X)	(X)	3,276
California	18.20	21.00	14.50	279,443	375,676	224,497
Colorado	9.60	9.35	9.69	213,466	198,407	210,486
Florida	16.10	17.40	16.30	86,650	124,845	89,846
Idaho	6.95	7.23	6.85	968,274	974,966	960,199
Illinois	10.00	10.00	9.01	28,159	33,210	25,679
Kansas	9.20	9.52	9.44	11,592	14,832	13,395
Maine	11.50	10.20	10.20	173,800	155,040	156,519
Maryland	(D)	(D)	11.70	(D)	(D)	5,967
Michigan	10.20	11.10	10.00	177,378	203,297	182,400
Minnesota	9.05	9.38	9.27	155,660	172,855	173,395
Missouri	11.10	11.60	11.40	26,751	28,107	18,981
Montana	12.70	12.80	13.00	46,800	48,307	49,790
Nebraska	11.00	12.10	10.40	81,180	109,203	97,354
New Jersey	(D)	(D)	8.91	(D)	(D)	4,722
New York	12.60	12.60	12.10	44,755	50,803	49,828
North Carolina	10.90	11.40	12.30	32,613	39,592	28,511
North Dakota	10.30	9.13	9.70	222,480	222,955	226,592
Oregon	7.90	7.86	7.49	209,279	198,426	210,169
Texas	17.10	15.20	12.70	141,845	135,158	75,565
Virginia	15.30	16.30	16.00	18,192	19,446	16,544
Washington	7.70	6.92	6.52	813,313	686,602	688,512
Wisconsin	11.60	10.90	12.00	343,128	324,275	340,800
Other States <sup>4</sup>	11.10	11.30	-	15,931	17,071	-
<b>United States <sup>5*</sup></b>	<b>9.08</b>	<b>9.17</b>	<b>8.48</b>	<b>4,090,689</b>	<b>4,133,073</b>	<b>3,853,027</b>

## Exports

U.S. potato exports once again reached a record value and volume for the July 2018-June 2019 marketing year (MY19), according to reports compiled by Potatoes USA.

- The total value of exports was \$1,827 million, up 1% from the previous marketing year. Total export volume was 1,733,023 metric tons (mt) up 2.3%.

- The fresh weight equivalent (fwe) volume was 73 million hundredweight (cwt).
- Frozen potato products, at 1,741,047 fwe mt, accounted for 53% of total exports but were down 0.1%.
- Dehydrated potatoes, at 842,446 fwe mt, were up 2.7% and accounted for 25% of the total.
- Fresh potatoes, made up of table-stock, chip-stock and processing potatoes, were up 6.2% to 508,626 mt and accounted for 15% of the total.
- Potato chip exports accounted for 6% of the total and were up 0.8% to 197,764 fwe mt.

The top market for U.S. exports was once again Japan at \$359 million. Due to significant U.S. exports of fresh potatoes destined for processing into frozen products Canada was a close second at \$319 million. Mexico was the third most important market at \$239 million, but was down 13% due to a 21% decline in frozen exports. South Korea was the fourth largest market valued at \$124 million with growth of 16%. The Philippines was fifth at \$106 million up 13%.

A number of issues and situations held back U.S. exports from further increasing, despite strong growth in world demand and a short crop in the EU, the main competitor. One of the main reasons was the strong domestic demand for potatoes, particularly frozen and dehy and the static supply of these products in the U.S.. Another was the imposition of retaliatory tariffs on U.S. products by Mexico and China. Mexico instituted a 20% tariff on U.S. frozen fries in June 2018. This resulted in a 25% decline in the volume (37,774 mt) and 21% decline in the value (\$33,228,497) of frozen exports to Mexico for MY19. China implemented a 10% tariff on U.S. fries and a 25% tariff on U.S. dehy in September, these resulted in a 10% decline (\$9,570,894) in frozen and 68% decline (\$3,373,405) in dehy exports. The continued strengthening of the U.S. dollar, up 2.9% compared to the Euro for the marketing year, also contributed by raising the relative cost of U.S. potatoes.

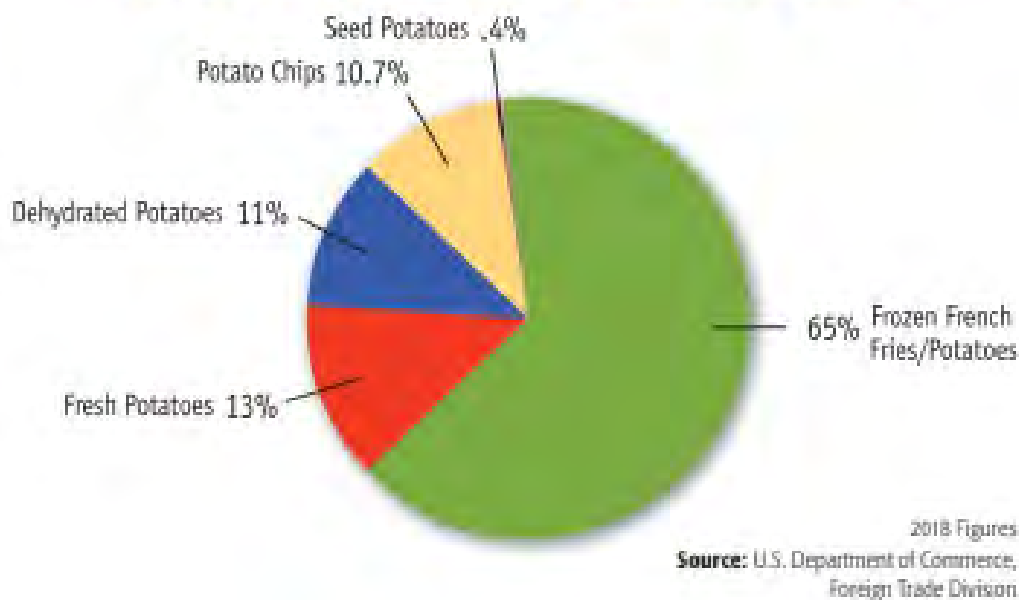
### Top 10 Export Markets (by value for calendar year 2018)

1	Japan	\$348 million
2	Canada	\$305 million
3	Mexico	\$256 million
4	South Korea	\$111 million
5	Philippines	\$97 million
6	China	\$96 million
7	Taiwan	\$78 million
8	Malaysia	\$59 million
9	Hong Kong	\$41 million
10	Singapore	\$40 million

Source: Department of Commerce,  
Foreign Trade Division

U.S. potato exports have grown 9% over the past five marketing years and should be poised for further growth in the coming year. Additional frozen capacity has and is coming online in the U.S. and additional acres were contracted for by the processors. The impediments to growth will be increased competition from the EU as production is forecast to return to normal in 2019 and the new free trade agreements in place in major U.S. export markets for the EU and Canada.

### Exports by Product & Market Share



### Storage

The purpose of potato storage is to maintain tuber quality and provide a uniform flow of tubers to fresh market and processing plants throughout fall, winter, and spring. Good storage should prevent excessive dehydration, decay, and sprouting. It should also prevent high sugar concentrations which result in dark colored fried products. A potato storage should have adequate insulation outside waterproofing, inside vapor proofing, ventilation, air distribution, adequate humidification, and properly designed controls for precisely maintaining the storage atmosphere.

The design of storage structures varies considerably, primarily in methods of air distribution. Large air plenums are located on either or both sides, or in the middle with ducts running across or lengthwise, depending on shape and size of the storage. A common type of duct is galvanized corrugated pipe located above ground, although air ducts can be located below ground. Dirt floors are the most popular although many storages have concrete floors with wood covered flumes in the center. The wooden covers

can be removed as potatoes are flumed out. Moisture proof barriers with insulation are required on the walls and ceilings, the thickness of the insulation varying with storage location. In most of the northern production areas and in areas of high elevation, a minimum of 2 inches of urethane or its insulating equivalent on walls and 3 ½ inches on the ceilings is required. Because high humidity is required for potatoes in storage, condensation of water on the ceiling sometimes occurs. Proper design, adequate insulation, and air flow along the eaves on the inside of the storage can reduce these problems.

Temperature, humidity, and air movement are the most important environmental factors affecting storability. Temperature requirements are determined by the intended use of the potatoes. Tubers should always be kept in the dark since very small amounts of light will gradually cause greening. Light should not be use more than absolutely necessary. Surface greening is due to chlorophyll formation and is harmless. However, its presence in potatoes is undesirable because of marketing restrictions and the fact that at times an alkaloid called solanine increases with chlorophyll. Solanine and other glycoalkaloids cause potatoes to have a bitter, undesirable flavor. Greening develops slowly in the light at 40° F or below but develops rapidly at 68°F.

Potatoes are usually held in bulk piles 8 to 20 feet deep. Some are stored in pallet boxes for short periods. Pressure bruise and internal black spots are substantially lower with pallet storage but decay is often increased because of poor air circulation within boxes. Long-term pallet storage is not recommended.

### **Sprout Control**

Potatoes usually do not sprout until 2 to 4 months after harvest even at 50 to 59°F. However, after 2 to 3 months of storage, sprouting can be expected in potatoes stored as cold as 39°F and much more so at 50°F. Although limited sprouting does not seriously damage potatoes for food purposes, badly sprouted tubers shrivel and are difficult to market.

### **Ventilation and Humidity Control**

The primary purpose of ventilating potato storages is to remove field heat and heat of respiration. Forced movement of air through potatoes also maintains uniform temperature and humidity throughout the pile. A good ventilation system can also be used to control progress of wet rots by drying out areas of the pile which look wet as well as drying tubers which are harvested in a wet condition. Excessive accumulation of carbon dioxide especially during the high respiration period early in the storage period can be prevented by adequate ventilation.

Air distribution through potato piles is attained by various methods according to areas of production. Air ducts are spaced from eight to ten feet apart beneath pile. These ducts are made of various materials. Corrugated steel or aluminum pipes of different sizes according to size of storage with outlet holes spaced from 8 to 12 inches apart are used in some areas. In other areas, wooden A-frame slotted air ducts are used. The air is distributed to lateral ducts by a main plenum connected to the fan house. Variations of this basic distribution system exist in the various producing areas.

The capacity of ventilation systems varies depending on the availability of low night temperatures for cooling. Higher air capacities are sometimes used to control soft rot and for drying tubers which were harvested wet. After the initial cooling period, high air velocities are not generally required.

In arid climate the addition of moisture to air used for cooling is a necessity, particularly during the initial cooling period. Evaporation of moisture in the air has the additional benefit of increasing cooling capacity. Many storages have small centrifugal type humidifiers which distribute a fine mist into the air stream. Generally this type of humidifier is inadequate when large amounts of cool air are brought in during the cooling period. Large air washers are becoming more popular and provide more adequate humidification. Refrigerated water chiller units can give additional cooling capacity to air washers if necessary. Refrigerated storages are used to deep potatoes for prolonged periods into the early summer months.

High relative humidities (90 to 95%) are required in all potato storage unless poor crop condition. Humidifiers are typically used to add water to the air. A humidifier is normally placed in the plenum chamber immediately down wind from the circulation fan. In this location, all of the air, whether for recirculation or ventilation or both, will pass over the humidifier. A humidity of 95% reduces weight loss and shrinkage markedly over humidities of 80 to 85% and generally results in better quality regardless of the end use.

### **Physiological and Biochemical Changes in Storage**

The objective of the storage environment is to keep the deterioration of the external and internal quality of potato tubers to a minimum. The quality of potatoes coming out of storage will not be any better than the quality of the potatoes placed into storage. Storage ability of potatoes is influenced considerably by production and harvesting practices. The maintenance of potato quality in storage is enhanced by care in growing, harvesting, and placement of tubers into storage.

The storage periods can be divided into three periods. The first is the curing period or the period of suberization and maturation. The second, more lengthy phase, is the holding period, and the third is the warming period before removal. During the curing period, bruises incurred during the harvest operation are suberized to prevent entry of rot



organisms and immature tubers are allowed to mature. Temperatures of 50° to 60° F are used, depending upon eventual use of the tubers, variety, relative maturity and conditions of growth. Curing temperatures of approximately 50° F are used when most of the potatoes are processed into frozen French fries, made into dehydrated products, or sold on the fresh market. Where potatoes are processed into chips, higher curing and holding temperatures may be used because of differences in varieties and a lower maximum allowance of reducing sugars. Length of the curing period is generally one to two weeks. Relative humidity above 95 percent is a necessity for the suberization process and to keep weight loss to a minimum.

Proper curing of tubers is necessary to ensure storage without loss of quality. In relatively warm fall areas a considerable amount of field heat as well as heat of respiration must be dissipated, requiring forced ventilation with cool night air. Removing heat is necessary to keep rot to a minimum and to keep tubers from physiologically aging, which eventually results in greater development of reducing sugar and premature sprouting. If tubers are relatively immature, they should be kept at curing temperatures for longer periods to ensure maturation of the skin for minimum weight loss.

Tubers are kept at holding temperatures of between 40 and 50°F depending on ultimate use. Chip potatoes are generally stored at a minimum of 50° F while those used for making French fries are kept at 45°F and fresh market and seed potatoes are maintained near 40°F. The accumulation of reducing sugars and deterioration of texture preclude storage of processing potatoes at low temperatures. Constant storage temperatures are more desirable than fluctuating temperatures. High relative humidity is desirable to keep weight loss to a minimum and to prevent the occurrence of pressure bruises.

When potatoes have been kept at low holding temperatures, they should be warmed to approximately 50°F, before removal from storage to reduce bruising. When excessive reducing sugars have accumulated in storage, the amount of sugar can be reduced by holding the tubers at higher temperatures for 3 weeks or longer.

Most varieties of potatoes are in the resting stage for two to three months after harvest. To prevent sprout development in potatoes stored longer than this, chemical sprout inhibitors are used. The two most common inhibitors are maleic hydrazide (MH) and chloropham (CIPC). MH is applied to the green foliage in the field two to three weeks after full bloom stage. The inhibitor is translocated to the tubers and will keep potatoes sprout free through the storage season. CIPC is applied through the ventilation system in an aerosol form after the period of suberization and maturation, usually in December.

Source: USDA



## Highest and Best Use

Highest and best use is a basic premise of value. As with value, highest and best use is not an absolute fact; it reflects an appraiser's opinion of the best use of a property based on an analysis of prevailing market conditions. The term highest and best use, as used in this appraisal report, is defined as:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.<sup>7</sup>

Highest and best use has also been defined as that use which produces the greatest return to land over time.

Because existing improvements can limit the use of land, a determination of highest and best use for both 1) the site as if vacant and 2) the property as improved is based on the following four criteria:

- 1) *Legally permissible* - such use must be allowed under existing zoning, building codes, deed restrictions, and environmental regulations;
- 2) *Physically possible* - the size, shape, area and terrain of the property must be adequate to develop such use;
- 3) *Financially feasible* - the use must produce a positive return; and
- 4) *Maximally productive* - the use must produce a value, consistent with the rate of return indicated by the market, higher than all other uses which meet the first three criteria.<sup>8</sup>

The analysis of these four criteria is based on consideration of several factors. These factors include any legal restriction on its utilization, the property's physical attributes, current supply and demand conditions, potential gross income and market derived rates or return.

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<sup>7</sup> The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, page 332-333.

<sup>8</sup> Ibid

## **As Though Vacant**

Land, as though vacant, is a fundamental concept of valuation theory and the basis for the cost approach. There are two primary reasons to identify the highest and best use of the land as though vacant: 1) to estimate a separate land value and 2) to identify comparable sales of vacant land.<sup>9</sup>

The highest and best use of land is generally that use which, among all reasonable, alternative uses, provides the highest land value. The estimation of highest and best use, as though vacant, is accomplished by applying the four criteria previously listed.

## **Physically Possible Use**

This criterion is dictated by the physical features of the site. Its size, shape, frontage, topography and subsoil conditions affect the uses to which it can be developed. The size of the subject site is 22.24 acres. The size and shape of the site are considered to be adequate to support most of the legally permissible forms of use or development. The site is level to gently sloping and there does not appear to be any adverse soil or sub-soil conditions.

The subject is not located in a flood hazard area. The site has good access being 12 miles south of the City of Kennewick along the east side of Nine Canyon Road. The subject currently has adequate right-of-way and all necessary utilities. These roads are in average to good condition. The roads and the utilities are considered adequate for commercial Potato & Onion Storage use. All these components indicate that the subject has no physical limitation that would restrict its development.

The site generally conforms with the size, shape and topography of other sites in the area. We could find no market evidence that would suggest the subject is at a physical disadvantage with other properties in the area. In our opinion, there are no conditions that would physically restrict the use of the site. Uses which are physically possible include irrigated cropland, commercial Potato & Onion Storage operation, and other general commercial uses, such as a grain elevator or a grain milling facility. Thus, a wide variety of improvements are physically possible for the site.

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<sup>9</sup>The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Chicago, Illinois, 2008. P. 277-278.

## **Legally Permissible Use**

The subject property *does not* lie within any incorporated city and therefore, is not subject to any zoning regulations. There is some county regulations which would require adequate capacity of individual septic systems. There is also some regulations which are in effect, that would most likely restrict some uses on the subject from a federal or state government perspective. Surrounding properties include agricultural, vacant land, and residential. The predominant business activities that have developed in the immediate area consist of agricultural related businesses. Based on trends that have developed in the area, the legally permitted use that would maintain conformity would be commercial Potato & Onion Storage facility, some type of grain handling or processing facility, or a farm and ranch homestead and headquarters.

We are not aware of any private deed restrictions which would limit property type or use.

It is common for sites located within the county to be encumbered by the county regulations. These restrictions neither place the subject at a legal disadvantage with other competing sites, nor do they adversely affect the use or development of the site. Therefore, the subject has a large variety of legally permitted agricultural uses.

## **Financially Feasible Use**

Financial feasibility relates to all uses that are physically possible and legally permissible which are likely to produce some income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses, and capital amortization. All uses expected to produce a positive return with a satisfactory equity yield are regarded as financially feasible.

In considering the financial feasibility of the subject's most probable uses, several factors must be considered. These factors include, but are not limited to the surrounding land uses, the physical characteristics of the site itself, the supply and demand forces which influence property values, and the cost of development.

The subject property is located within a rural agricultural area. The locational attributes of the subject are considered favorable for a commercial Potato & Onion Storage type use. This type use also conforms to the general make-up of the immediate area. Thus, the most feasible use of the subject site is determined to be a use characteristic of this type development.

The demand for properties in the subject's immediate area has been stable to active within the recent past due primarily to the availability of excellent ground water and the increase in monetary lending which has been precipitated by the stabilizing economy.

Based on the current construction cost, as detailed in the Cost Approach, it would require capital expenditures of \$19,131,262 plus land costs of \$278,000 for a total cost of \$19,400,000 rounded to replace the existing structures. The estimated net operating income from the Income Approach was \$1,011,465 which is a 5.21 percent return. While this maybe considered an acceptable return to a specific user, but it is unlikely that it is sufficient to attract investors to build a new facility such as the subject.

Therefore, the construction of a new facility is considered to be *feasible* as of the date of this appraisal for an owner/ user.

### **Maximally Productive Use**

It has been concluded that the most probable use to which the subject site could be put is a **Commercial Potato & Onion Storage Facility**. It has also been shown that while new construction may be economically feasible on the site today under a build to suit situation, it is unfeasible to construct on a speculation basis.

### **As Improved**

The highest and best use of a site as improved refers to the optimal use of a site and its improvements. The highest and best use, as improved, was estimated by application of the same four criteria used to determine the highest and best use, as if vacant. The findings of these four criteria could suggest three possible alternatives: 1) leave the improvements "as is", 2) improve or modify the improvements, or 3) demolish the improvements and reclaim the land.

The Potato & Onion Storage improvements are considered the highest and best use of a property as improved if they continue to contribute to the market value of the property and the return of modified improvements would not offset the cost of remodeling the existing improvements or constructing new improvements.

### **Physically Possible Uses**

The subject property, as improved, is considered characteristic of the typical commercial agricultural business enterprise in the area. Due to the general design and use of the improvements, owner usage of the improvements is considered most applicable. For reasons related to exposure and visibility, as indicated in the analysis of the highest and best use "as vacant," potential tenants are considered to most likely include those which would rely on good access to major traffic arteries.

Based on this analysis as well as the presence of the improvements as described in the Description of Improvements section, the improvements on the subject site are considered well suited for the Potato & Onion Storage business use.

### **Legally Permissible Uses**

The permissible uses of the existing improvements would be similar to those uses outlined within the previous analysis. Based on the presence of the current improvements, the subject property was found to be in conformity with building/ use restrictions. The improvements currently conform to the physical characteristics of the area, as well.

### **Financially Feasible Uses**

As indicated in the highest and best use section of the site as vacant, it would be feasible to construct new Potato & Onion Storage improvements as the subject improvements, as of the date of this report for an owner/ user.

Based on the use the improvements produce a positive return and are, therefore, considered financially feasible since the positive return provides a value greater than the land as if vacant. The results of the economic analysis are presented in the income approach section of the report. Alternate uses are likely to be less feasible than continuing the use, since any alternate use would require large capital outlays for physical modifications to the property which could not be recouped through income at current market levels. No alternate, legal use could economically justify the removal of the subject improvements.

### **Maximally Productive Uses**

Of the financially feasible uses, the use that produces the highest price, or value, consistent with the rate of return warranted by the market for that use is the maximally productive use.

The subject commercial Potato & Onion Storage improvements are considered feasible for development if the site were considered vacant and ready for development as of the date of this appraisal.

There is no other use which would be financially feasible; thus, the current use is considered that use which maximizes the productivity of the site, as improved.

In conclusion, the subject has a desirable location, good construction quality, average to good appearance, adequate identification, and easy accessibility. In addition, economic profitability, feasibility, and demand conditions are concluded. These conditions indicate that the property's utilization is proper and feasible in the Benton County, Washington market today. Therefore, based on our analysis of the subject site and improvements, relative to the definition of highest and best use, the subject property as improved is best suited for use as a **Commercial Potato & Onion Storage Facility**.



## **PART III - VALUATION ANALYSIS AND CONCLUSIONS**

## The Valuation Process

An appraisal is defined as "the act or process of developing an opinion of value".<sup>10</sup> The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value. The valuation process is applied to develop a well supported opinion of a defined value based on an analysis of pertinent general and specific data. The estimation of a real property's market value involves a systematic process. This process involves the interpretation of the economic, sociological, physical and political forces that have an effect upon a specific property.

The first step in the process is to define the appraisal problem, i.e., identify the real estate, the property rights being appraised and the type of value sought. Once this has been accomplished, the factors that affect the market value of the subject are collected and analyzed. These factors are addressed in the city and area section, the neighborhood section, the site and improvement sections and the highest and best use section. In this process, the basic approaches to value, when applicable, are utilized: the cost approach, the income approach, and the sales comparison approach.

- 1) In the cost approach, value is estimated as the current cost of reproducing or replacing the improvements (including an appropriate entrepreneurial incentive or profit) minus the loss in value from depreciation plus land or site value.
- 2) In the sales comparison approach, value is indicated by recent sales of comparable properties in the market and other supporting transactional information.
- 3) In the income capitalization approach, value is indicated by a property's earning power, based on the capitalization of income.

Traditionally, specific appraisal techniques are applied within the three approaches to derive indications of real property value. One or more approaches to value may be used depending on which approaches are necessary to produce credible assignment results, given the intended use.<sup>11</sup>

The final step in the valuation process is the reconciliation of the values indicated. In the final reconciliation, consideration is given to the relative significance, defensibility and applicability of each approach as it pertains to the type of property being appraised. The most weight is given to the approach that appears to produce the most reliable solution to the appraisal problem.

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<sup>10</sup> The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013.

<sup>11</sup> The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, 2013, page 36.

## The Cost Approach to Value

The cost approach to value is one of the three methods used in the valuation process. It is based on the understanding that market participants relate value to cost. The principle of substitution is basic to the cost approach. This principle affirms that a knowledgeable buyer would pay no more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without undue delay.<sup>12</sup>

The applications of the approach to a specific property involves the following steps:

- ◆ Estimate the value of the site as though vacant and available to be developed to its highest and best use.
- ◆ Estimate the reproduction cost or replacement cost new of all the improvements
- ◆ Estimate direct, and indirect costs of improvements, and entrepreneurial profit
- ◆ Add estimated direct and indirect costs, and entrepreneurial profit to cost of improvements.
- ◆ Estimate amount of depreciation from all causes {physical deterioration, functional obsolescence and economic (external) obsolescence}.
- ◆ Deduct estimated depreciation from the total cost new of the improvements to arrive at a depreciated value of the improvements.
- ◆ Add the site (land) value (Step 1) to the depreciated value of the improvements (Step 7) to arrive at a value indicated by the cost approach.
- ◆ Adjust value conclusion if any personal property or intangible assets are included in the appraisal assignment.

The replacement cost is the cost associated with replacement of the improvements with equivalent utility using modern materials and current standards, design, and layout. The accrued depreciation is measured by estimating the physical deterioration, functional obsolescence, and the economic obsolescence. When the replacement cost and the accrued depreciation are accurately estimated, then the indicated value by the cost approach will be comparable to the values indicated by the sales comparison and the income approaches.

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<sup>12</sup>The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p. 47, 561-579.

## Land Value Analysis

The sales comparison approach was used to estimate value for the subject tract. Through this approach, a comparison and analysis of the property appraised is applied to similar properties for which market information is available. In this approach, the property being appraised is compared with similar land sales by applying appropriate units of comparison, and making adjustments, based on the elements of comparison to the sales prices of the comparable sales. Adjustments are necessary for any physical, functional, and locational differences.

A thorough search was made to locate recent land sales which were considered similar to the subject in use. As a result of the location and the desirability of the groundwater, there have been several recent land sales in the subject area. Four (4) land sales that have sold within the last one to three years were identified. These land sales are similar to the subject and located in the subject's immediate area.

In estimating the land value for the subject site, these land sales were utilized in direct comparison to the subject. The market data utilized for the basis of this report is considered the best available and indicative of current market trends in the immediate subject neighborhood.

The analysis and comparison of the market information utilized follows in this section of the report. Comparable land sales data table and a location map follows:

SUMMARY CHART OF COMPARABLE LAND SALES						
Sale No.	Subject	1	2	3	4	5
Location	12 Mi. S of Kennewick	6 Mi. SE of Burbank	6 Mi. SE of Burbank	1 Mi. SE of Pasco	10 Mi. NW of Pasco	1 Mi. N of Richland
County		Walla Walla	Walla Walla	Franklin	Franklin	Benton
Date of Sale		6/26/18	6/26/18	9/6/17	02/29/2021	3/23/18
Grantor		Port of Walla Walla	Port of Walla Walla	Bleyhl Farm Service	CC Sullivan Farms, LLC	The Port of Benton
Grantee		Railex Wine Services, LLC	Union Pacific Railroad	Steve & Judy West	Patrick B. Sullivan	Hiline Leasing, LLC
Price		\$379,500	\$717,993	\$525,000	\$870,000	\$929,000
Size (AC)	22.24	22	38.29	44.99	58.20	37.16
Price/AC		\$17,250	\$18,751	\$11,669	\$14,948	\$25,000
Property Rights	F Simple	F Simple	F Simple	F Simple	F Simple	F Simple
Financing		Typical	Typical	Typical	Typical	Typical
Condition of Sale		Typical	Typical	Typical	Typical	Typical
Topography	Level	Level	Level	Level	Level	Level
Access	Nine Canyon Road (paved)	State Hwy 12	State Hwy 12	A Street	Cottonwood Drive	Hagen Road

### Range of Comparable Sales

Date of Sale:	Sept-2017	to	Feb-2021
Size/Acre:	22.00	to	58.20
Value/ Acre Range	\$11,669	to	\$25,000

The average price per acre indicated by the sales was \$17,524 with a median of \$17,250 per acre. Sale Nos. 3 and 4 were considered most similar to the subject property in overall characteristics, thus, these sales were given additional consideration in our final analysis. Given the physical attributes of the subject, a value in the lower portion of the established range is considered to be reasonable and appropriate. Therefore, the indicated market value of the subject tract, as of March 16, 2021, is:

$$\begin{array}{rclclcl} 22.24 \text{ AC} & & \times & \$12,500 & = & \$278,000 \\ & \text{Rounded To:} & & & = & \mathbf{\$278,000} \end{array}$$



## Replacement Cost New of the Improvements

In the cost analysis, replacement cost new was used as the basis for estimating the value of the improvements. Replacement cost is defined as

"the estimated cost to construct, at current prices, as of the effective appraisal date, a substitute for the building being appraised using modern materials and current standards, design and layout."<sup>13</sup>

There are generally three methods of estimating replacement cost. The methods are 1) extracting cost estimates from the local market by obtaining information on newly constructed buildings; 2) procuring a replacement cost estimate prepared by a local construction company familiar with the construction of commercial Potato Storage improvements; or 3) using a cost service company.

### Source of Cost Estimate

Obtaining cost information from local contractors was limited since there are only a few contractors that build new Potato and/ or Onion Storage facilities in the area. There were sources contacted for current cost estimates for the subject Potato and Onion Storage facility. The first source was the actual quote in the appraiser(s) file from Teton West on a previous structure of \$6,814,332 or \$56.82 per square foot. Additional estimation of replacement cost of the subject improvements is based on the *Marshall and Swift Valuation Service* cost manual. Marshall and Swift has been tested against bids on other construction projects and found to be a fairly reliable indicator.

When using Marshall and Swift, multipliers are used for bring costs up-to-date and to reflect the local conditions of such costs. Use of these multipliers results in precise dollar estimates. However, it is not the appraiser's intent to imply exact to-the-dollar accuracy. Rather than rounding each entry, one rounding was made at the end of the cost approach. The strength of using *Marshall Valuation Service* is that cost figures are updated daily and sent each month to subscribers. For up-to-date information, subscribers can call Marshall's offices for the most recent cost figures. The following are the multipliers associated with the subject improvements:

Section 17	Current Cost Multiplier	Local Multiplier
	Western	Pasco, WA
Class S	1.08	1.11

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<sup>13</sup> The Appraisal of Real Estate, Thirteenth Edition, The Appraisal Institute, Chicago, 2008, Page 385.

The cost estimates from Marshall and Swift indicated a cost for Potato Storage Construction of Good Class C/S of \$54.50/ SF. Given that the subject facility is a Behlen/ Teton West product located in Benton Co., WA, a figure of \$65.33 per square foot has been used in our analysis. The cost estimate follows:

**COST ESTIMATE:**

<b>Property</b>	Easterday Farms Potato & Onion Storage Facility
<b>Address</b>	138105 S Nine Canyon Road
	Kennewick, Washington
<b>Occupancy</b>	16 Commercial Potato & Onion Storage Buildings
<b>Capacity</b>	1,680,000 cwts.

Marshall & Swift	
245,888 SF @ \$65.33/SF	\$16,063,863
Site Improvements	<u>\$500,000</u>
Total	\$16,563,863

**Replacement Cost New Summary**

Cost Estimation Method. The *Marshall Valuation Service* is a widely used analytical tool that has proven helpful to appraisers and building contractors. The weakness of this method is in the potential problem of using building cost extracted from major cities which may not reflect local building costs. *Marshall Valuation Service* attempts to alleviate this concern by use of local multipliers for various cities throughout the country.

Use of these multipliers results in precise dollar estimates. However, it is not the appraiser's intent to imply exact to-the-dollar accuracy. Rather than rounding each entry, one rounding was made at the end of the cost approach. The strength of using *Marshall Valuation Service* is that cost figures are updated daily and sent each month to subscribers. For up-to-date information, subscribers can call Marshall's offices for the most recent cost figures.

Direct and Indirect Costs. In the construction of any project, the total cost of development can be divided into direct and indirect costs. Direct costs include the costs of material and labor as well as the contractor's profit. Indirect costs are expenditures for items other than labor and materials.

Indirect cost includes financing costs, professional fees, taxes during construction, marketing and sales commissions, and administrative expenses of the developer. An indirect cost of 5% has been used in our analysis.

**Entrepreneurial Profit.** In addition to the direct and indirect costs required to construct an improvement, there must be a profit motive to provide the initial incentive for the entrepreneur to risk his time, expertise, and capital for the potential reward for successfully completing the project. Entrepreneurial profit accounts for the developer's expectation to receive a return in addition to costs. It should be a market-derived figure; however, it varies considerably according to economic conditions. This type of profit may be measured as a percentage of 1) direct costs, 2) direct and indirect costs, 3) direct and indirect costs plus land value, or 4) the value of the completed project.

The amount of entrepreneurial profit varies with factors such as economic conditions and property type. With the current depressed overall economic conditions and lack of new construction, a market-derived profit figure is very difficult to estimate. However, we are of the opinion that it would typically fall in the lower portion of a reasonable range. A typical range would be 10 to 20 percent.

<b>Replacement Cost New</b>			
<u>Structural Improvements</u>			
<b>Easterday Farms Storage Facility</b>			<b>\$16,563,863</b>
138105 S Nine Canyon Road			
Kennewick, Washington			\$16,563,863
<u>Total Estimated Direct Cost</u>			
Indirect Costs	5%	\$828,193	<u>\$828,193</u>
Entrepreneurial Profit	10%	\$1,739,206	<u>\$1,739,206</u>
<b>Total Estimated Cost</b>			<b>\$19,131,262</b>
<b>Total Estimated Replacement Cost New of all Improvements (RD)</b>			<b>\$19,130,000</b>

\* Marshall & Swift - Average to Good, Class S

## ***Accrued Depreciation***

Loss in value due to accrued depreciation is considered for all existing improvements of the subject property as of the date of the appraisal. Accrued depreciation is the difference between an improvements replacement or replacement cost and its value as of the date of the appraisal. It is necessary for an appraiser to identify depreciation due to physical deterioration, functional obsolescence, and external obsolescence by analyzing improvements and the market's reaction to their observed condition.

The five basic types of accrued depreciation are 1) curable physical deterioration which refers to items of deferred maintenance, 2) incurable physical deterioration which refers to deterioration that is not practical or currently feasible to correct, 3) curable functional obsolescence which refers to defects in design which are economically feasible to correct, 4) incurable functional obsolescence which refers to deficiencies or superadequacies which are not economically feasible to correct and 5) external obsolescence which refers to external influences which result in a loss in value to the subject.

## **Physical Deterioration**

Physical deterioration is classified as either curable or incurable.

Curable physical deterioration - refers to items of deferred maintenance. The estimate of curable physical deterioration applies only to the items in need of repair on the date of the appraisal. It is measured by the cost of restoring to new or reasonably new condition.

Incurable physical deterioration - is the normal wear and tear that a property has incurred. To estimate the incurable physical deterioration, the age/ life method which provides for a depreciation percentage based on the estimated effective age of the improvements as compared to the typical economic life of such an improvement has been used.

As indicated by the Marshall and Swift Valuation Service and on market observations, a facility similar to the subject would have an economic life of approximately 45 years. The subject buildings have an effective age ranging from 7 years to 10 years and a remaining economic life of 37 years.

## ***Functional Obsolescence***

No significant functional deficiencies or superadequacies are foreseen in the current improvements. The subject property is designed to be a commercial Potato & Onion Storage facility. The subject improvements represent the highest and best use of the site, as improved. Therefore, no value loss is indicated as a result of this type of depreciation either curable or incurable.

### **External Obsolescence**

The last form of depreciation observed was external obsolescence. External obsolescence is defined as: "Impairment of desirability or useful life arising from factors external to the property, such as economic forces or environmental changes which affect supply-demand relationships in the market." Traditionally, external obsolescence has always been considered to be incurable.

External obsolescence is that loss from cost new, as of the date of the report, due to influences outside the site and is incurable on the part of the owner, landlord, or tenant. External obsolescence can be caused by a decline in either the property's location, the neighborhood, the city and region, or in a decline in overall market conditions. An analysis of the market data indicates that some external obsolescence exists in new facilities such as the subject. We have applied a 5% external obsolescence factor to the property.

The cost and depreciation schedule is calculated in the table below:

<b>COST AND DEPRECIATION SCHEDULE</b>	
Estimated Replacement Cost New	\$19,131,262
Less: Physical Deterioration - Curable	\$0
Less: Physical Deterioration - Incurable (17.78%)	<u>(\$3,401,538)</u>
Estimated Physically Depreciated Improvement Value	\$15,729,724
Less: Functional Obsolescence	\$0
Less: External Obsolescence (5%)	<u>(\$956,563)</u>
Estimated Depreciated Cost of Improvements	\$14,773,161
Plus: Land and All Improvements (41.88 acres )	\$278,000
<b>VALUE INDICATION VIA COST APPROACH</b>	\$15,051,161
<b>ROUNDED</b>	<b>\$15,050,000</b>

## Summary of Cost Approach

In applying this approach, the first step is to estimate a value of the site, as if vacant. A land value of \$278,000 was indicated by the sales comparison approach. The comparable land sales were compared and adjusted to the subject site. All of the comparable sites were located in the area and exhibited similar characteristics with regard to highest and best use as the subject site.

The basis for estimating the cost of the improvements was information obtained from Marshall & Swift cost estimating service and Behlen/ Teton West Construction. Total estimated cost new of the structural improvements and site improvements amounted to \$19,131,262. The subject has an effective age of 8 years. The economic life of the improvements was estimated to be 45 years.

There was \$3,401,538 of physical and/ or functional depreciation applicable to subject improvements. Additionally, the property was subject to external obsolescence of 5% or \$956,563. Therefore, the depreciated improvement value of \$14,773,161 with a land value of \$278,000 added, resulting in an "As Is" market value by the cost approach as of March 16, 2021 of \$15,050,000 rounded.

Therefore, based on our analysis of the data presented in the cost approach, the indicated value of the subject property is **\$15,050,000**.



## The Sales Comparison Approach to Value

The Sales Comparison Approach to value is an opinion of market value developed by comparing properties similar to the subject property that have recently sold, are listed for sale, or are under contract. This approach to value is premised on the principle of *Substitution*, which holds that the value of property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.<sup>14</sup>

The applicability of this approach is based upon the collection of similar sales and offerings for comparison, from which market derived adjustments for relevant factors can be extracted. The sales data is compared to the subject on the basis of significant characteristics exhibited in the subject property. Considerations for such factors as time, location, size, building quality, age-condition, and amenities, as well as the terms of the transaction, are all related to the subject property. Because the adjustments are primarily market-derived, the desires and actions of typical buyers and sellers are reflected in the comparison process.

In the Sales Comparison Approach, value is estimated by comparing recent sales of similar properties to the property appraised. Preferably, all properties are located in the same area, and are of similar size, quality, and age. One premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines the prices of comparable, competitive properties.

In estimating the value of the subject property, via the Sales Comparison Approach, we utilized the Price Per Unit Method, which derives a market value by utilizing an analysis of the sales and concludes an adjusted price per unit, which is then applied to the subject property in order to derive a current estimate of value. The second method is the gross income multiplier (GIM). The GIM method measures the relationship formulated by dividing the sales price by the total gross potential income. The GIM's are then applied to the subject property's estimation of gross potential income, which is then formulated into an estimate of value. The GIM automatically adjusts for dissimilarities within the properties and, therefore, adjustments to the GIM's are not necessary. The GIM method was deemed inappropriate for properties such as the subject.

The analysis and comparison of the market information utilized in this approach is included in this section of the report. A summary table of the comparable sales follows:

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<sup>14</sup>The Appraisal of Real Estate, Fourteenth Edition, The Appraisal Institute, Chicago, 2013, page 377-378.

## COMPARABLE IMPROVED SALES SUMMARY CHART

Sale #	1	2	3	4	5	6	7
Location	SW of Linton, Emmons Co., ND	Center, Saguache Co., CO	Quincy, Grant Co., WA	Baker City, Baker Co., OR	Mesa, Franklin Co., WA	Boardman, Morrow Co., OR	Wray, Yuma Co., CO
Date	Dec-2016	April -2016	March-2019	Feb-2019	Oct-2019	Nov-2016	June-2014
Sales Price	\$3,945,000	\$6,475,000	\$3,600,000	\$600,000	\$1,320,000	\$2,523,944	\$1,300,000
CWT Capacity	530,000	550,000	180,000	100,000	90,000	312,000	300,000
\$/Cwt	\$7.44	\$11.77	\$20.00	\$6.00	\$14.67	\$8.09	\$4.33
YOC	1995	1995/ 97	2014	2013	1995/ 96	2000	1995
Acres	15.48	15.27	63.72	6.96	80.70	9.49	6.43
Land Value/ Ac.	\$4,845	\$4,912	\$22,500	\$5,000	\$12,500	\$11,500	\$21,773
Potato Sheds Efficiency	Good	Good	Good	Good	Good	Good	Good
Effective Age/ Condition	20 Yrs.	20 Yrs.	5 Yrs.	6 Yrs.	25 yrs.	15 yrs.	20 Yrs.

## **Summary of Improved Comparable Sales**

An extensive market data investigation was conducted, including a thorough search of the Potato production regions of the United States. County Deed Records were searched, local real estate brokers, investors and mortgage lenders were contacted. All sales data was reviewed and the most recent and relevant sales were investigated. The basic criteria in searching for comparable sales were the date of sale, location, size, and existing use.

Several sales of commercial Potato and/ or Onion Shed properties were identified within the region and the data obtained from these sales were considered to be accurate and reliable. Seven (7) sales were chosen for comparison with the subject, because of their similarity to the subject property. Each of the sales were analyzed to provide an indicated value for the property appraised.

All of the comparable sales were improved commercial storage facilities and were located in Colorado, North Dakota, Washington, and Oregon. They range in size from 90,000 to 550,000 in total cwt capacity. The market data included in this analysis, although somewhat diverse, is considered to be the best available in today's market and to be indicative of current market trends.

Commercial Potato and/ or Onion Shed properties are purchased by both users who are also acting as investors. The typical user occupies the property for the purpose of conducting his or her business and the typical investor acquires the property for the production of income. The user analyzes the property based on its cost relative to other available properties (e.g., price per cwt) and the investor analyzes the property based on its ability to produce income. The subject is a special purpose facility, which are primarily occupied by the owner-operator. The price per cwt of capacity is the primary unit of comparison used to estimate the value of Potato and/ or Onion Shed properties.

The improved comparable sales are indicating that Potato and Onion Shed properties are being purchased primarily by owner-occupants. All seven(7) of the sales used in the analysis were purchased by owner-occupants. When the market is dominated by purchasers who intend to occupy the property, the sales comparison approach is a strong indicator of value.

The comparable sales ranged from \$4.33 per cwt to \$20.00 per cwt. The mean and median indicated per cwt values were \$10.33 and \$8.09, respectively. Given the size and physical characteristics and good design and efficiency of the subject property, a value in the lower middle of the established range would be appropriate. Therefore, the indicated value by the price per cwt method, as of March 16, 2021, was \$9.00 per cwt of capacity.

1,680,000 cwt	X	\$9.00	=	\$15,120,000
Rounded to				\$15,120,000

## Summary of Sales Comparison Approach

Several sales of Potato Sheds properties were identified and the data obtained from these sales was considered to be accurate and reliable. Seven (7) improved sales were considered to be the most comparable to the subject. The comparable sales ranged in time of sale from June 2014 to October 2019 and ranged in total capacity from 90,000 to 550,000 cwt.

The price per cwt capacity method was utilized to provide a value indication. The sales were compared, analyzed and adjusted to the subject, reflecting any dissimilarities between each sale and the subject. The per cwt of capacity method indication of value was \$15,120,000.

In this analysis, the price per cwt of capacity, unit of comparison was considered to be the most reliable indicator of value, which is the preferred method of the typical buyer in this market. Therefore, it is our opinion that the market value of the subject property by the sales comparison approach, as of March 16, 2021, is **\$15,120,000**.

## The Income Approach

In the income capitalization approach, the present value of the future benefits of property ownership is measured. To develop an opinion of market value with the income capitalization approach, the appraiser must be certain that all the data and forecasts used are market-oriented and reflect the motivations of a typical investor who would be willing to purchase the property as of the effective date of the appraisal.

In the income approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The steps involved in an income approach are as follows:

- ◆ Research the income and expense data for the subject property and comparables,
- ◆ Estimate the potential gross income of the property by adding the rental income and any other potential income,
- ◆ Estimate the vacancy and collection loss,
- ◆ Subtract vacancy and collection loss from total potential gross income to arrive at the effective gross income of the subject property,
- ◆ Estimate the total operating expenses for the subject by adding fixed expenses, variable expenses, and a replacement allowance (where applicable),
- ◆ Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at net operating income. (Deductions for capital items may also be necessary at various points in time through the projection period to calculate the cash flow used in discounted cash flow analysis),
- ◆ Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the income capitalization approach.

In the analysis to follow, a conclusion about the prospective annual net operating income of the subject is developed. In support of this net operating income estimate, we analyzed available market data.

The two methods of income capitalization are direct capitalization, in which a single year's income is divided by an income rate or multiplied by an income factor to reach an indication of value, and yield capitalization, in which future benefits are converted into a value indication by discounting them at an appropriate yield rate (DCF analysis) or applying an overall rate that reflects the investment's income pattern, value change, and yield rate.<sup>15</sup>

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<sup>15</sup> The Appraisal of Real Estate, Thirteenth Edition, The Appraisal Institute, Chicago, 2008, Pages 445, 450, 465-466

## **Direct Capitalization Technique**

There are five basic steps in this technique. The first step involves estimation of the subject's gross potential revenue. As the subject is a Potato and Onion Storage Facility, this involves examining the historical performance of similar storage facilities to determine the amount of revenue that can reasonable be expected.

Second, the subject's stabilized occupancy must be estimated. This is based on historical, current and probable future trends for the subject and its immediate market area. Third is an analysis of the deductions which must be made from the subject's gross potential revenue. Typically, there are two types of deductions to be addressed: vacancy and credit loss and those cost associated with the operation of the property.

Fourth, an analysis of the overall capitalization rates is presented. Finally, the subject's estimated net income is divided by the overall capitalization rate to arrive at the indicated value.

We have attempted to obtain operating and income data from similar storage facilities in the United States. Few of these properties are leased and verification of lease information and operating expenses was difficult due to individual privacy concerns of the operators. Additionally, after searching for industry standards, it was evident that there is no available publication which included the Potato and Onion Storage Facility industry.

## **Market Lease Analysis**

The first step in this method is to identify the gross potential income by using either the contract rents or an appropriate market lease. PGI is the total potential income attributable to the real property at full occupancy before operating expenses are deducted. Market or economic lease may be defined as the lease income that a property would most probably command in the open market: indicated by current rents of the subject, if applicable, as well as comparable properties, as of the date of the appraisal.

Market lease applicable to the subject property was based on current lease information collected from similar commercial Potato and/ or Onion Storage properties within or near the subject regional area. A search was made for comparable Potato and Onion Shed leases located in or near the subject region. As a result we have had to examine lease rates in other areas of the country. Leases for Nebraska, Colorado, North Dakota, Wisconsin and Minnesota have been included to provided support for the potential income of the subject property.



## Unit of Comparison

In the Potato and Onion Storage industry the most common unit method is the lease rate per hundred weight.

## Market Lease Indication

The market lease applicable to the subject was based upon current leases involving similar properties. Owners and managers of commercial storage facilities considered comparable to the subject were surveyed in order to obtain the current comparable lease data. This market data was considered in estimating a market lease rate for the subject Potato and Onion Storage Sheds.

Location:	Yuma CO	Oaks, ND	Plainsfield, WI	Pine Lake, MN	Yuma, CO
YOC:	1995	1994	1985	1994	1995
CWTs	208,000	140,000	135,000	450,000	300,000
Type	Curvet Quonsets	Curvet Quonsets	Slant Wall	Hansen-Rice	Curvet Quonsets
Lease Rate:	\$0.45-\$0.55 Net	\$0.65 Net	\$0.55 Net	\$0.35 Net	\$0.50 Net
Other Imps:	None	Office	None	Truck Scales	Wash Plant

## Potential Gross Revenue Summary

The comparable leases ranged from \$0.35 to \$0.65 per hundred weight of capacity with an average of \$0.51/ cwt net lease terms. Given the market information and after a complete review of all the physical attributes of the comparable market leases, a lease rate in the upper end of the range was considered most applicable to the subject property due to the efficiency and production capabilities of the subject Potato Storage facility.

Therefore, a market lease rate for the subject Potato Storage facility is \$0.65 per cwt.

Gross Potential Income Estimate Subject Potato Storage				
Subject	Capacity (cwts)	Lease Rate	Total Monthly Lease	Annual GPI
Easterday Farms	1,680,000	\$0.65/cwt	\$91,000	\$1,092,000

Given the projected lease rates for the subject Potato Storage facility, the annualized potential gross revenue was estimated to be \$1,092,000.

### Vacancy & Collection Loss

The occupancy estimate utilized reflects our analysis of recent Potato Storage market studies. According to interviews with Potato Storage owners if vacated it can take a few months to re-lease the Potato Sheds, thus it is deemed reasonable to use a vacancy and collection loss of 5% of the potential gross income or \$54,600.

### Expense Analysis

Operating expenses are periodic expenditures necessary to maintain an income producing property and to continue the production of the effective gross income. Normal operating expenses associated with Potato Storage facilities on a net lease basis would be management of 7.5%.

Based on this information, the subject's projected operating statements are below. The following income and expenses analysis assumes a vacancy and collection loss of 5%.

STABILIZED INCOME AND EXPENSE PRO FORMA Walther Investment Potato Storage		
Potential Gross Lease Income	(\$0.65 X 1,680,000)	\$1,092,000
Less: Vacancy & Collection Loss	5%	(\$54,600)
Effective Gross Lease Income		\$1,037,400
Expenses:		
Total Expenses (7.5%)		(\$25,935)
Net Operating Income		\$1,011,465

## Direct Capitalization Method

*The direct capitalization method* is a process by which a single year's estimate of income is converted into an indication of value. This is accomplished by dividing the income estimate by an appropriate overall rate (OAR). This is expressed algebraically as:

$$\text{NOI} / \text{RATE} = \text{VALUE}$$

where NOI is annual net operating income or pre tax cash flow, RATE is the capitalization rate and VALUE is the resulting value of the property.

This method is most applicable when an income property has stabilized occupancy. Since the subject is appraised on a stabilized basis, the direct capitalization method is a reliable indicator of value and was used exclusively in estimating a value for the subject by the income approach.

### Indicated Value by the Direct Capitalization Method

The final step of this approach is to capitalize the estimated stabilized net revenues by the overall rate. Factors considered within the estimation of the capitalization rate are as follows:

1. The stability of the subject;
2. The subject's location and recognition;

The market OAR's ranged from 4.72% to 11.97%. Additionally, we considered alternative investments such as treasury yields and bonds.

Summary of Capitalization Rates from Comparable Sales						
Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4	Sale No. 5	Sale No. 6	Sale No. 7
5.74%	4.72%	4.88%	7.13%	4.76%	13.58%	9.87%
Mean of Indicated Rates		7.24%				
Median of Indicated Rates		5.74%				

The mean of indicated rates from the comparable sales is 7.24% and the median is 5.74%. Due to the subject being a Behlen/ Teton West facility which should tend to be more efficient as compared to the market indications, it was our opinion that a reasonable capitalization rate for the subject would be just below the middle of the established range of indicated rates. For this reason, we estimated an overall capitalization rate for the subject of 6.70%.

INDICATED VALUE Direct Capitalization Method	
Estimated Revenues	\$1,011,465
Capitalization of Revenue	
\$1,011,465     /     6.70%	\$15,096,493
Rounded	<b>\$15,100,000</b>

### Summary and Conclusion of the Income Approach

The income approach to value is predicated on the assumption that there is a definitive relationship between the amount of income a property will earn and its value. This approach is based on the principle that value is created by the expectation of benefits derived in the future. This indicated value represents the market value of the subject property, given the existing economic conditions of the commercial Potato and Onion Storage market in the Southern Washington area.

The direct capitalization was used to estimate the value for the subject.

The direct capitalization analysis offers the indication of value based upon the estimated stabilized revenue and expenses and market derived overall capitalization rate. The income and expenses estimates and assumptions used were reasonable and well-supported by evidence from the market. Therefore, the "As Is " market value conclusion by the income approach is estimated to be **\$15,100,000**.

## Exposure and Marketing Time Analysis

In accordance with the Market Value definition contained herein, as requested by the client, consideration has been given to a reasonable estimated marketing period for the subject property **at the appraised value estimate herein.**

**Marketing Time** is the time necessary to expose a property to the open market in order to achieve a sale. Implicit in this definition are the following conditions:

- \* The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar types of properties.
- \* The property will be offered at a price reflecting the most probable mark-up over market value used by sellers of similar properties.
- \* A sale will be consummated under the terms and conditions of the definition of market value stated in this report.

A normal market period is a function of various factors including, prevailing market conditions, the price of the product being marketed, the competitive position of the property in the market, and the amount and quality of marketing effort allocated to the property. It is strongly emphasized that the appraisers have no control of the aforementioned factors, nor can the appraisers anticipate or predict any of them. Therefore, it is assumed that the property will receive an adequate marketing effort.

Based upon the degree of commercial activity and sales similar to the subject contained herein, and the appraiser's personal conversations with area brokers and landowners familiar with the subject area, it is concluded that at the market value estimated herein, the subject property can reasonably anticipate a sale within 12 to 18 months of the listing date.

## Reconciliation and Final Estimate of Value

The purpose of the reconciliation of value is to evaluate the strengths and weaknesses of the individual approaches, and to develop a single value estimate for the subject. Typically, in the estimation of value for a given property, it is necessary for an appraiser to review and consider all available valuation techniques, applicable to a given property type. In the valuation of improved real estate, it is necessary for the appraiser to consider all three of the traditional appraisal approaches which include the cost, comparable sales and income approaches to value. These three approaches normally provide individual indications of value for the property in question which are then correlated into a final opinion of value for the property by the appraisers. All three approaches should be applied in making an estimate of value, whenever possible. One approach, however, will often be given greater consideration than the others, depending largely upon the type of property appraised and the quality of the data upon which the approach is based. The greatest consideration is normally given to the approach most typically used by buyers and sellers to determine sale prices for properties of the subject type in the local market.

In the preceding sections of this report, indications of value based upon the cost approach, the sales comparison approach and the income approach were utilized to provide indications for value of the subject's fee simple estate. Within the reconciliation, the three value indications were considered and evaluated by the relative significance of applicability for each approach. As a result, the following estimates of value were derived:

Approaches	Indicated Values
Indicated Land Value - as vacant	\$278,000
Cost Approach	
"As Is" (Real Estate & Equipment)	\$15,050,000
Sales Comparison Approach	
"As Is" (Real Estate & Equipment)	\$15,120,000
Income Approach	
"As Is" (Real Estate & Equipment)	\$15,100,000

### Cost Approach

In applying this approach, the first step is to estimate a value of the site. A land and improvement value of \$278,000 rounded or approximately \$12,500 per acre was indicated by the sales comparison approach. The comparable land sales were compared and adjusted to the subject site. All of the comparable sites were located in the county and were the similar use as the subject site. The land sales were considered reliable indicators of value which added validity to the approach.



The next step in this approach involves a construction estimate for the improvements by using a cost service, a local contractor or market extraction. The basis for estimating the cost was information obtained from *Marshall & Swift Valuation Service*, a cost estimating service and building cost data in our files. The actual cost estimates provided to the appraiser(s) came from Teton West Construction.

The next step in this approach was to estimate accrued depreciation from all causes (physical deterioration, functional obsolescence and external obsolescence). The subject in this analysis is new construction which exhibits limited physical, functional, or external depreciation, as of the date of completion. The cost approach provided a reliable indication of value.

### **Sales Comparison Approach**

The sales comparison approach estimates market value by comparing the sales prices of recent transactions with similar attributes of the property being appraised. The sales comparison approach was utilized to provide indications of value for building improvements and the land.

Several sales of Potato and/ or Onion Storage properties were identified in the Plains and Mid-West Region area and the data obtained from these sales was considered to be accurate and reliable. Seven (7) of the most similar sales available were included for review and analysis.

The improved comparable sales are indicating that similar properties are being purchased primarily by owner-occupants. When the market is dominated by purchasers who intend to occupy the property, the sales comparison approach is a strong indicator of value. Due to the quality and quantity of the market sales information for improved properties, the value estimated within this approach is considered to provide a reliable conclusion.

### **Income Approach**

The income approach to value is based on the premise that a direct relationship exists between the income-producing potential of a property and its market value. The income approach was utilized to provide indications of value for the subject property.

As previously stated, our market research indicated that the majority of the Potato and Onion Storage properties that have sold in the area have been to owner-occupants. The owner-occupant purchasers seem to be more numerous than the investor purchaser. To an investor, a property's worth is based on its ability to produce income and/or appreciation in value over time.

## Conclusion

There was adequate Potato and Onion Storage sales data in the sales comparison approach to arrive at an indication of value for the subject property. The Cost Approach was well supported by the cost estimates. Thus, the Cost Approach has provided a reliable indication of value for the subject property. In addition, the available income information on comparable Potato and Onion Storage properties appears to be consistent and reasonable. We considered the information obtained from the Cost Approach and the Sales Comparison Approach to be the most reliable indicator of value as they lend support to one another. Thus, the greatest weight in arriving at a value conclusion was given to these approaches. Based on these considerations, it is our opinion that the market value "As Is" of the fee simple interest in the ***Easterday Farms Potato & Onion Storage Facility***, located at 138105 S Nine Canyon Road, Kennewick, Benton County, Washington, as of March 16, 2021, is:

**FIFTEEN MILLION ONE HUNDRED THOUSAND DOLLARS  
\$15,100,000 ROUNDED**

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. The appraisers have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The appraisers have not performed services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. The appraisers have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. The appraisers engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. The appraisers compensation for completing this assignment is not contingent upon the developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
8. The appraisers analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
9. On March 16, 2021, Clint Bumguardner made a personal inspection of the property that is the subject of this report. Jeremy Wethington did not personally inspect this property.
10. No one provided significant real property appraisal assistance to the persons signing this certification.
11. The reported analyses, opinions, and conclusion were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, Clint W. Bumguardner, MAI, ASA, has completed the requirements of the continuing education program of the Appraisal Institute.

Based on these considerations, it is our opinion that the market value "As Is" fee simple interest in the ***Easterday Farms Potato & Onion Storage Facility***, located at 138105 S Nine Canyon Road, Kennewick, Benton County, Washington, as of March 16, 2021, is:

**FIFTEEN MILLION ONE HUNDRED THOUSAND DOLLARS**  
**\$15,000,000 ROUNDED**



Clint W. Bumguardner, MAI, ASA  
General State Certified Appraiser  
State Certification No. TX-1321020-G  
Washington Certification No. 1102340



Jeremy Wethington, Certified Appraiser  
State Certification TX-1380954-G

## ***ADDENDA***

*W. T. Appraisal, Inc.*

## **Assumptions and Limiting Conditions**

This appraisal report has been made with the following general assumptions:

1. This is a Self-Contained Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for a Self-Contained Appraisal Report. As such, it presents detailed discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. Responsible ownership and competent property management are assumed.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.



### ***Assumptions and Limiting Conditions***

9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
11. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
12. All information, comments and conclusions pertaining to subject and other properties described represent the opinion of the appraiser formed after a personal examination of each.
13. The appraiser has no interest, present or prospective, in the subject property.
14. Sketches in this report are included to assist the reader in visualizing the property.
15. The appraisers assume that there are no hidden or unapparent conditions of the appraised property, which would render it more or less valuable. Further, the appraisers assume that there are no potentially harmful asbestos or other materials and/or site contaminants in, on, or near soil, subsoil, or structure of the appraised property and that there has been no disposal, discharge, leakage, or spillage of pollutants or contaminant which would render it more or less valuable, whether or not these materials or contaminants are apparent or hidden and unapparent.

No responsibility is assumed by the appraisers for these conditions. In addition, no responsibility is assumed by the appraisers for the cost of engineering and/or laboratory studies which might be required to discover such materials or contaminants. And no such engineering or laboratory studies have been ordered for the appraised property.

16. Disclosure by the appraiser of the contents of this appraisal report is subject to review in accordance with the by-laws and regulations of The Appraisal Institute and The American Society of Farm Management & Rural Appraisers.

### ***Assumptions and Limiting Conditions***

This appraisal report has been made with the following general limiting conditions:

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless prior arrangements have been made.
3. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser.
5. This appraisal was made in accordance with the Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation and the Appraisal Institute and The American Society of Farm Management & Rural Appraiser.
6. Acceptance of and/or use of this report constitutes acceptance of all assumptions and limiting conditions stipulated.
7. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

# Key Definitions

## Appraiser/Appraisal

Appraiser - One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

Appraisal Practice includes, but is not limited to, the three types of valuation services: 1) Appraisal, 2) Appraisal Review, 3) Appraisal Consulting. A wide range of activities, from measuring the size of a building to developing a detailed market study, qualify as appraisal practice, but do not fit the definitions of the three types of valuation services. The application of the appraisal procedures and the level of detail in the report that communicates the appraiser's conclusions are guided by the nature of the property, the type of opinion to be developed, the intended use, and the intended users.

Appraisal involves selective research into appropriate market areas, the assemblage of pertinent data, the use of appropriate analytical techniques, and the application of knowledge, experience, and professional judgement to develop an appropriate solution to an appraisal problem. The appraiser provides the client with an opinion of real property value that reflects all pertinent market evidence.<sup>16</sup>

## Valuation

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property. It is a modes that can be adapted to a wide variety of questions that relate to value. It can also be used—perhaps with some modification—to answer questions not directly related to value, as in the case of review and consulting assignments.<sup>17</sup>

## Real Estate

Real estate is the physical land and appurtenances affixed to the land, e.g., structures. Real estate is immobile and tangible. The legal definition of real estate includes the following tangible components:

- \* Land
- \* All things that are natural part of land, such as trees and minerals
- \* All things that are attached to land by people, such as buildings and site improvements<sup>18</sup>

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<sup>16</sup> *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal of Real Estate, page 9-10.

<sup>17</sup> *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal of Real Estate, page 129.

<sup>18</sup> *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal of Real Estate, page 6.

## **Real Property**

Real property includes all interests, benefits, and rights inherent in the ownership of physical real estate. A right or interest in real property is also referred to as an estate.<sup>19</sup>

## **Market Value**

Market value is defined as being the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus.<sup>20</sup>

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised and each acting in what they consider their own best interests;
- 3) A reasonable time is allowed for exposure in the open market,
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.<sup>21</sup>

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<sup>19</sup> *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal of Real Estate, page 6.

<sup>20</sup> Section 34 of Title 12, Code of Federal Regulations and subsequent Interagency publications.

<sup>21</sup> Section 34 of Title 12, Code of Federal Regulations and subsequent Interagency publications.

### **Fee Simple Interest**

The property rights appraised are the fee simple estate. Fee simple estate is defined as Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat<sup>22</sup>.

### **Leased Fee Estate**

The leased fee estate is the lessor's, or landlord's, estate. A landlord holds specified rights that include the right of use and occupancy conveyed by lease to others. The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires<sup>23</sup>.

### **Leasehold Interest**

The leasehold interest is the lessee's, or tenant's estate. A leasehold estate is the right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease<sup>24</sup>.

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<sup>22</sup>The Appraisal of Real Estate, Thirteenth Edition, The Appraisal Institute, 2008, page 114.

<sup>23</sup>The Appraisal of Real Estate, Thirteenth Edition, The Appraisal Institute, 2008, page 114.

<sup>24</sup>The Appraisal of Real Estate, Thirteenth Edition, The Appraisal Institute, 2008, page 114.

## **Qualifications of the Appraisers**

*W. T. Appraisal, Inc.*



**QUALIFICATIONS  
OF  
CLINT W. BUMGUARDNER, MAI, ASA**

***Educational***

Bachelor of Science, Texas A&M University, College Station, Texas, August, 1987.

Master of Agriculture, Land Economics and Real Estate, Texas A&M University, College Station, Texas, December, 1988.

Completed Course Work and Continuing Education:

- Capitalization Theory & Tech., Part A - Appraisal Institute
- Capitalization Theory & Tech., Part B - Appraisal Institute
- Basic Valuation Procedures - Appraisal Institute
- Real Estate Appraisal Principles - Appraisal Institute
- Standards and Professional Practice - Appraisal Institute
- Case Studies in Real Estate Valuation - Appraisal Institute
- Report Writing & Valuation Analysis - Appraisal Institute
- 3rd/4th Legal Seminar on Ad Valorem Taxation - TX A&M & State Bar Assoc.
- Condemnation in the 90's - Law Offices of Windle Turley
- Nevada Real Estate Statutes - Appraisal Institute
- Appraisers Complete Review - Appraisal Institute

***Professional***

Member, Appraisal Institute (MAI) No. 10161

Accredited Senior Appraiser (ASA), American Society of Appraisers

Licensed Texas Real Estate Broker, No. 0393607

Texas Certified General Real Estate Appraiser, Certification No. TX-1321020-G

New Mexico Certified General Real Estate Appraiser, Certification No. 001579-G

Certified General Appraiser, Arkansas, License No. CG2050N

Certified General Appraiser, Oklahoma, License No. 12547CGA

Certified General Appraiser, Kansas, License No. G-2075

Certified General Appraiser, Georgia, License No. 332280

Certified General Appraiser, Iowa, License No. CG03070

Certified General Appraiser, Colorado, License No. 100032989

Certified General Appraiser, Nebraska, License No. CG211103R

Certified General Appraiser, Indiana, License No. CG40801054

Certified General Appraiser, Arizona, License No. 31904

Certified General Appraiser, Utah, License No. 6219920-CG00

President, Texas Plains Chapter, Appraisal Institute, 2006-07

Real Estate Committee Member, Texas A&M Foundation

***Experience***

Principal, W. T. Appraisal, Inc., Abilene, 1992-present

Associate, Dominion Property Advisors, Albuquerque, NM 1999-2004

Appraiser, Wayne Austin, Associates, Abilene, 1992

Staff Appraiser, J.R. Kimball, Inc., Fort Worth, 1989-92.

*W. T. Appraisal, Inc.*

Testified as expert witness in State Court proceedings  
 Testified as expert witness before State Property Tax Board  
 Testified as expert witness before various Appraisal Districts Review Boards in Texas and Oklahoma

### ***Scope of Appraisal Assignments***

- Agricultural Industry Properties
- Feedyards
- Poultry Facilities
- Swine Operations
- Grain Handling Facilities
- Feed Mills
- Flour & Corn Mills
- Meat Processing - Hog, Beef, Chicken, Duck
- Vegetable Processing
- Food Processing - Peanut, Cheese, Apple, Potato
- Commercial Dairies
- Special purpose properties including orchards and plant nurseries, etc.
- Cotton Gins / Compress Warehouses
- Appraisal Review
- Feasibility and Market Studies
- Property Inspections
- Provided real estate consulting and appraisal services throughout the United States.

### ***Recent Ranch Appraisals***

Lambshead Ranch, Tx	40,000+ Acres	G-F Ranch, NM	27,000+ Ac.
Nail Ranch, Tx	40,000+ Acres	Staley Ranch, NM	12,480 Ac.
Hendrick Ranch, Tx	46,000+ Acres	Roosevelt Co., NM	6,080 Ac.
Swenson Ranch, Tx	79,000 Acres	Latir Mtn. Ranch, NM	6,097 Ac.
Ford Ranch, Tx	38,000+ Acres	Lee Ranch, NM	39,795 Ac.
700 Springs Ranch, Tx	13,000+ Acres	Autrey Ranch, NM	5,411 Ac.
Cibola Creek Ranch, Tx	20,000+ Acres	Colfax Co., NM	23,703 Ac.
Covered S Ranch, Tx	23,000 Acres	Hat Bar Ranch, NM	19,919 Ac.
C Ranch, Tx	165,000 Acres	Cross Y Ranch, NM	21,000+ Ac.
T Diamond Ranch, Tx	25,000 Acres	EZ Heart Ranch, NM	128,000+ Ac.
La Mesa, Tx	72,000 Acres	San Miguel Co., NM	4,800+ Ac.
Sears Ranch, Tx	18,000+ Acres	Big Springs Ranch, NM	7,600+ Ac.
Burr Ranch, Tx	78,000+ Acres	Broken O Ranch, TX	4,900+ Ac.
Robinson Ranch, Tx	20,000 Acres	Brushy Creek Ranch, TX	38,000+ Ac.
VNN Ranch, TX	26,000+ Acres	Park Springs Ranch, NM	36,000+ Ac.
Dewey Farms/Ranch, KS	14,500 +Acres	Multiple Ranches between 1,000 -10,000 acres	
Maes Ranch, NM	55,000+ Ac.		

***Recent Special Agricultural Appraisals***

Feed Mills - multiple	Texas, Oklahoma, New Mexico, Arkansas, Missouri
Feed Yards - multiple	Texas, Oklahoma, Kansas, Nebraska, Idaho, South Dakota, Washington
Dairy - multiple	Texas, New Mexico, Oklahoma, Georgia, Kansas, Colorado, Nebraska, Utah, California, Washington, Iowa
Peanut Processing Plant	New Mexico, Texas, Georgia, Alabama, South Carolina
Cotton Gin/ Compress	Texas, Arizona
Cattle Sale Barns	Texas & New Mexico
Grain Elevators / Shuttle	Texas, Oklahoma, Kansas, New Mexico
Flour Mills	Texas, Nebraska, Utah
Poultry Farms	Texas, Oklahoma, Oregon, Washington, Arkansas, Mississippi, Delaware, Maryland, Virginia, West Virginia
Processing Facilities	California, Oregon, Washington, Colorado, Arkansas, Alabama, Texas, Missouri, Oklahoma, South Carolina, Idaho, Virginia, North Carolina, Utah, Indiana, Wisconsin, New Mexico



# STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A



CERTIFIED GENERAL REAL ESTATE APPRAISER

CLINT W BUMGUARDNER  
1302 Petroleum Dr #Ste B  
Abilene TX 79602-7989

1102340

License Number

07/06/2015

Issue Date

11/24/2022

Expiration Date

*Teresa Berntsen*  
Teresa Berntsen, Director

# QUALIFICATIONS OF JEREMY WETHINGTON

**Educational** Bachelor of Business Administration, General Business / Finance, West Texas A&M University, Canyon, Texas, 2001.

Real Estate - Completed Course Work/ Continuing Education:

Principles of Real Estate I - *Texas A&M University Commerce*

Principles of Real Estate I - *Texas A&M University Commerce*

Law Of Contracts - *Texas A&M University Commerce*

Law Of Agency - *Texas A&M University Commerce*

Real Estate Math I - *Texas A&M University Commerce*

Real Estate Finance I - *Texas A&M University Commerce*

Real Estate Investments I - *Texas A&M University Commerce*

Understanding 1031 Tax Free Exchanges - *Texas A&M University Commerce*

Appraisal - Completed Course Work/ Continuing Education:

Basic Appraisal Principles - *McKissock Education*

Basic Appraisal Procedures - *McKissock Education*

National Uniform Standards of Professional Appraisal Practice - *McKissock Education*

Supervisor-Trainee Course for Texas - *McKissock Education*

General Appraiser Market Analysis and Highest & Best Use - *McKissock Education*

Statistics, Modeling, & Finance - *McKissock Education*

General Appraiser Income Approach I - *Appraisal Institute*

General Appraiser Income Approach II - *Appraisal Institute*

General Appraiser Site Valuation and Cost Approach - *McKissock Education*

General Appraiser Sales Comparison Approach - *McKissock Education*

General Appraiser Report Writing & Case Studies - *McKissock Education*

General Appraiser Expert Witness - *McKissock Education*

General Appraiser Commercial Appraisal Review - *McKissock Education*

## **Professional**

Texas Certified General Real Estate Appraiser, Certification No. TX-1380954-G

Licensed Texas Real Estate Salesperson (Active) No. 597365

New Mexico Certified General Real Estate Appraiser, Certification No. 03725-G

Certified General Appraiser, Kansas, License No. G-3326

Certified General Appraiser, Colorado, License No. CG200002194

Certified General Appraiser, Nebraska, License No. "Pending"

## **Experience**

W. T. Appraisal, Inc., Abilene, TX

*Appraiser, January 2017 – Present*

Troxell Company, Inc., Rhome, TX

*Manufacturers' Sales Representative, June 2012 – December 2017*

*W. T. Appraisal, Inc.*

Anchor Fabrication, Saginaw, TX  
*VP Of Business Development, July 2009 – May 2012*  
Graham Hart Home Builder, Grapevine, TX  
*Executive Director Of Finance, May 2002 – June 2009*

***Scope of Appraisal Assignments***

- Agricultural Industry Properties - Feedyards
- Grain Handling Facilities - Feed Mills
- Commercial Dairies
  - Cotton Gins / Compress Warehouses
- Farms & Ranches (10 to 20,000 acres+)
- Commercial Warehouse -

***Recent Special Agricultural Appraisals***

Feed Mills - multiple	Texas, Kansas, Colorado
Pellet Mills - multiple	Texas, Colorado
Feed Yards - multiple	Texas, New Mexico, Colorado, Kansas, Nebraska
Dairies - multiple	Texas, New Mexico, Kansas
Cotton Gin/ Compress	Texas, Kansas
Grain Elevators/ Shuttle	Texas, Kansas, Colorado
Calf Ranch/ Heifer Dev.	Texas, New Mexico, Kansas
Ranches	Texas, New Mexico, Kansas, Colorado

***Personal***

- Married, with four children
- Member, Beltway Park Church, Abilene, Texas
- Rural farming/ ranching background, Castro, Jones, and Fisher Counties, Texas



JEREMIAH JOSEPH WETHINGTON  
2031 FM 126 N  
HAMLIN, TX 79520



## Certified General Real Estate Appraiser

Appraiser: **Jeremiah Joseph Wethington**

License #: **TX 1380954 G**

License Expires: **01/31/2022**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).



Douglas E. Oldmixon  
Commissioner

## **Letter of Engagement**

## **PROPOSAL OF APPRAISAL SERVICES**

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**DATE OF PROPOSAL:** March 12, 2021

Easterday Farms  
P.O. Box 2813  
Pasco WA 99302

**Appraiser:**

WT Appraisal, Inc.  
1302-B Petroleum Drive  
Abilene, TX 79602  
325-692-5039 office  
800-340-5039  
325-692-1587 fax  
[clintbum@wtappraisal.com](mailto:clintbum@wtappraisal.com)

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**Proposal for an Appraisal Report of the following:**

**PROPERTY IDENTIFICATION**

16 Bays, Potato and Onion Sheds located in Franklin County, Washington

**PROPERTY TYPE**

Commercial Potato/Onion Shed operation

**INTEREST VALUED**

Fee Simple – Surface Only

**INTENDED USERS**

Easterday Farms and associated parties.

*Note: No other users are intended by Appraiser. Appraiser shall consider the intended users when determining the level of detail to be provided in the Appraisal Report.*

**PROPOSED DELIVERY DATE**

No later than March 25, 2021

**NUMBER OF COPIES**

PDF w/ Hard copies upon request

**PROPOSED FEE**

\$20,000

Please provide our firm with the following information if available.

- Name of person to contact for inspection
- Property Tax ID
- Survey / Plat – Building Plans
- Deed
- Mailing address for completed Appraisals
- Any additional information that would aid in our analysis of the property.

**CONFIDENTIALITY**

Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement with, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the ETHICS RULE of the Uniform Standards of Professional Appraisal Practice (USPAP).

**TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment.

**APPRAISER INDEPENDENCE**

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot ensure that the opinion of value developed because of this Assignment will serve to facilitate any specific objective by Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality, and objectivity.

**GOVERNING LAW & JURISDICTION**

The interpretation and enforcement of this Agreement shall be governed by the laws of the state in which the Appraiser's principal place of business is located, exclusive of any choice of law rules.

**By Appraiser:**



(Signature)

Clint W. Bumgardner

(Printed name)

03/12/2021

(Date)

**By Client:**

(Signature)

(Printed name)

(Date)

## Subject Photographs

Easterday Farms Potato & Onion Storage Facility 138105 S Nine Canyon Rd Benton Co., Washington





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Washington





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